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IRAN–CONTRA INVESTIGATION

JOINT HEARINGS

BEFORE THE

HOUSE SELECT COMMITTEE TO INVESTIGATE COVERT ARMS TRANSACTIONS WITH IRAN

AND THE

SENATE SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE TO IRAN AND THE NICARAGUAN OPPOSITION

ONE HUNDREDTH CONGRESS

FIRST SESSION

100–10

JULY 30, 31, AND AUGUST 3, 1987

TESTIMONY OF DONALD T. REGAN AND CASPAR W. WEINBERGER

Printed for the use of the Select Committees on the Iran-Contra Investigation

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HOUSE SELECT COMMITTEE TO INVESTIGATE COVERT ARMS TRANSACTIONS WITH IRAN

SENATE SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE TO IRAN AND THE NICARAGUAN OPPOSITION

JOINT HEARINGS ON THE IRAN-CONTRA INVESTIGATION

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JOINT HEARINGS ON THE IRAN-CONTRA INVESTIGATION

Testimony of Donald T. Regan

THURSDAY, JULY 30, 1987

SENATE SELECT COMMITTEE ON SECRET MILITARY
ASSISTANCE TO IRAN AND THE NICARAGUAN OPPOSITION
AND
HOUSE SELECT COMMITTEE TO INVESTIGATE
COVERT ARMS TRANSACTIONS WITH IRAN,
Washington, DC.

The Select Committees met, pursuant to call, at 9:00 a.m., in room 325, Russell Senate Office Building, Hon. Daniel K. Inouye (chairman of the Senate Select Committee) and Hon. Lee H. Hamilton (chairman of the House Select Committee) presiding.

Chairman INOUYE. The hearing will please come to order.

Today we will receive the testimony of Mr. Donald Regan, the former Chief of Staff of the White House. Welcome, sir. Will you please rise?

[Witness sworn.]

TESTIMONY OF HON. DONALD T. REGAN

Chairman INOUYE. Thank you, sir.

The questioning this morning will be started by Mr. Smiljanich. Mr. Smiljanich.

Mr. SMILJANICH. Thank you, Mr. Chairman.

Mr. Regan, I understand you had a slight voice problem yesterday. If you would just be sure to lean over and speak into the microphone, we will all be able to hear.

Mr. REGAN. Thank you. I still have it.

Mr. SMILJANICH. OK, sir. You can perhaps pull it a little closer to you.

Mr. REGAN. How is that?

Mr. SMILJANICH. That is fine.

Mr. Regan, you served as Chief of Staff to the President from February of 1985 until March of this year, is that correct?

Mr. REGAN. That is correct.

Mr. SMILJANICH. You got your degree from Harvard in 1940 and then joined the Marine Corps and fought in World War II, is that correct?

Mr. REGAN. That is correct.

Mr. SMILJANICH. Rose to the rank of a lieutenant in the Marine Corps.

Mr. REGAN. That is right.

Mr. SMILJANICH. Immediately after the war, you joined the firm of Merrill Lynch as a trainee.

Mr. REGAN. Yes.

Mr. SMILJANICH. And approximately 30 years later, you had risen to the top of the ladder there and was Chief Executive Officer there and chairman of the Board, is that correct?

Mr. REGAN. That is right.

Mr. SMILJANICH. You joined the Reagan administration in 1981 as Secretary of the Treasury and served for 4 years until you became Chief of Staff in February of 1985.

Mr. REGAN. That is right.

Mr. SMILJANICH. Obviously, the role of Chief of Staff to the President depends very heavily on what the President wants from his Chief of Staff. What was your, how did you perceive your role as Chief of Staff to the President?

Mr. REGAN. Well, when I took over as Chief of Staff from the then-Chief of Staff, now Secretary of the Treasury Jim Baker, actually there was a troika reporting to the President, Ed Meese as his counselor, Mike Deaver as the Deputy Chief. Meese had already been nominated to be Attorney General, and Mike Deaver had told us that he was going back into the private world. And as a result, I inherited all three of those jobs.

So my tenure as Chief of Staff differed from the first 4 years of the Reagan administration as a single Chief of Staff. I was more of a pyramidal structure, I would describe it. The job of the Chief of Staff is a complicated one, but a nebulous one, it is whatever the President wants it to be. Each President does things a little bit differently.

There was a recent symposium of former Chiefs of Staffs, and they each described their job, and each one of them had a different experience as Chief of Staff. In my particular case, my first job, of course, was to see that the White House ran, that is from an administrative point of view it functioned. If the President were to deliver a speech, the speech was ready on time and that he was comfortable with it; if he were going some place, to make certain that all of the movements were there on time and correctly done.

And, of course, then there was the role of adviser, in which either I would offer an opinion or he would ask my opinion on a particular subject. Since this hearing has to do with the National Security Council, I think at the outset maybe I should describe that relationship.

Mr. SMILJANICH. Go ahead.

Mr. REGAN. The National Security Council has been created by the Congress. The job of Chief of Staff was not created by the Congress. That's something that a President sets up whatever way he wants. There are several I guess you would call them agencies that are a part of the White House staff that have relationships with the Chief of Staff, the Office of Management and Budget, the Council of Economic Advisers, the President's National Scientific Adviser, things of that nature.

Now, all of these report to the President through the Chief of Staff. However, the National Security Council and the National Security Adviser report directly to the President. If you think back, this is a traditional way for it to happen. In the days of Henry Kissinger, one of the better known National Security Advisers, he reported directly to the President, not through the Chief of Staff, Haldeman. In the Carter administration, Mr. Brzezinski, Dr. Brzezinski reported directly, not through Hamilton Jordan.

In the Reagan administration, strangely enough, the first National Security Adviser, Richard Allen, reported through the Counselor to the President, Ed Meese, to the President. When Bill Clark came in to replace Richard Allen, that was changed. Bill Clark had been Ronald Reagan's Chief of Staff when he was Governor of the State of California. So as a result, it was decided he would report directly to the President, in other words back to the old mold.

When Bud McFarlane replaced Bill Clark, that relationship has continued, the National Security Adviser reporting directly. He did not report to Jim Baker or through Jim Baker. When I came in, that relationship continued that way. Then when Admiral Poindexter replaced Bud McFarlane, it was definitely continued the same way, he would report directly to the President, not through and not to the Chief of Staff.

Mr. SMILJANICH. When Admiral Poindexter became the National Security Adviser to the President, did the working relationship between you and the office of National Security Adviser change in any way?

Mr. REGAN. No, it did not.

Mr. SMILJANICH. All right.

And the NSC staff reported through both Mr. McFarlane and Admiral Poindexter to the President, rather than through you?

Mr. REGAN. That is correct.

Mr. SMILJANICH. When Admiral Poindexter became National Security Adviser rising from the position of deputy, did you explain your working philosophy to him, that there should never be surprises, particularly unpleasant surprises?

Mr. REGAN. Yes. I explained that to just about anybody who worked in the White House.

Mr. SMILJANICH. Now, your advice to the President included matters of national security?

Mr. REGAN. When he would ask for them. Initially not so much, later on, particularly leading up to Geneva and then later into Reykjavik, yes.

Mr. SMILJANICH. You were one of the President's senior advisers?

Mr. REGAN. I would say so, yes.

Mr. SMILJANICH. Part of your job was also to work with Congress and establish a good relationship between the President and Congress?

Mr. REGAN. Yes, it was.

Mr. SMILJANICH. Now, you attended on a pretty regular basis the morning briefings that the President received from the National Security Adviser?

Mr. REGAN. Yes, I did.

Mr. SMILJANICH. These usually occurred at 9:30 in the morning?

Mr. REGAN. That is correct.

Mr. SMILJANICH. They were usually attended by the President, the Vice President, yourself, the National Security Adviser, and his deputy?

Mr. REGAN. That is right.

Mr. SMILJANICH. Were any notes kept of those briefings?

Mr. REGAN. I noticed that the deputy normally kept notes. I thought he was taking notes. To my surprise, I learned later he really wasn't taking notes so much as they were just jotting down things to do or reminders of papers that the President might ask for, something of that nature.

I thought they were actually notetakers, but apparently there were no notes taken. I didn't take any, and I know neither the President nor Vice President took notes.

Mr. SMILJANICH. At any rate, this 15- to 20-minute or 30-minute session with the President was the National Security Adviser's daily audience with the President to bring to him matters he felt were important for the President to know?

Mr. REGAN. That is right.

Mr. SMILJANICH. Now, the President also received at this daily briefing reading material which summarized certain things and brought certain matters to his attention?

Mr. REGAN. He did.

Mr. SMILJANICH. How did he receive these, directly from the National Security Adviser?

Mr. REGAN. Yes. It was a, not so different than this and contained in it the papers for the President to read, intelligence summaries from various agencies. And it would be given to the President as the National Security Adviser was leaving the room, left with the President to read.

He would read it right away usually if he had time, the schedule was open, and then pass it back directly to the National Security Council by way of his secretary to the National Security Adviser.

Mr. SMILJANICH. Did the National Security Adviser on occasions give the President memos and matters for him to sign directly by that process?

Mr. REGAN. Yes, he did on occasion.

Mr. SMILJANICH. When he would do that, would that paperwork become a part of the normal White House paper chain?

Mr. REGAN. No, it didn't. And I protested that several times.

Mr. SMILJANICH. All right.

Who did you protest to?

Mr. REGAN. The National Security Adviser.

Mr. SMILJANICH. Was anything done about that to correct that process?

Mr. REGAN. I thought it had, but I find out now from some of these hearings that it hadn't.

Mr. SMILJANICH. In other words, certain material that obviously got to the President were material that did not pass through you or that you saw?

Mr. REGAN. That is right. It was not part of the normal paper flow.

Mr. SMILJANICH. Now, in addition to the daily national security briefings, you also attended meetings of the National Security Council?

Mr. REGAN. I did.

Mr. SMILJANICH. NSPG meetings?

Mr. REGAN. Yes.

Mr. SMILJANICH. And even on occasion, meetings with heads of states or summit meetings, that type of matter?

Mr. REGAN. Yes.

Mr. SMILJANICH. All right.

You were one of the President's senior advisers?

Mr. REGAN. Yes.

Mr. SMILJANICH. Now, who controlled the access of people to the President in the Oval Office?

Mr. REGAN. As far as the President's schedule is concerned, I was in charge of that after Mike Deaver left. Deaver was in charge of it up until May of 1985 and then I took over.

Mr. SMILJANICH. So it was the general practice if one wanted to have, to come see the President, they had to go through you?

Mr. REGAN. That is correct.

Mr. SMILJANICH. Now, there were exceptions to that general rule; is that correct?

Mr. REGAN. Yes, there were. There were four or five people who had the authority to go directly to the President. Obviously the Vice President, the Secretary of State, the National Security Adviser, the medical doctor, and the military aide on duty.

Instructions had been left with the President's secretary at any time any one of those people wanted to see the President, they were granted access.

Mr. SMILJANICH. Now, the Director of Central Intelligence at the time, William Casey, was a very close friend of the President; is that correct?

Mr. REGAN. That is right.

Mr. SMILJANICH. In fact, he had served as the campaign manager to the President in the 1980 campaign?

Mr. REGAN. Yes.

Mr. SMILJANICH. Did Director Casey have such direct access to the President?

Mr. REGAN. No.

Mr. SMILJANICH. Were there occasions in which Director Casey could meet with the President and exclude you from the meeting?

Mr. REGAN. If the Director told me that he had something, I will best describe it as hot or some particular piece of information that he thought the President should hear and he wanted to do it alone, I would put him on the schedule.

Mr. SMILJANICH. And there were, in fact, occasions when Director Casey exercised that privilege and met with the President alone during your tenure?

Mr. REGAN. Yes, he did.

Mr. SMILJANICH. And there were also occasions when the President met alone with the National Security Adviser without your being present?

Mr. REGAN. That is right.

Mr. SMILJANICH. On occasions these were times when they specifically wanted to talk to the President alone without anyone else being present; is that correct?

Mr. REGAN. That is right.

Mr. SMILJANICH. Now, let's turn for a moment to the Nicaraguan Resistance or the Contras. The Contras and their success or failure were much on the President's mind during your tenure; is that a fair statement?

Mr. REGAN. Yes.

Mr. SMILJANICH. And much time was spent at the White House attempting to get Congress to repeal the Boland amendment?

Mr. REGAN. Yes.

Mr. SMILJANICH. The Tower Board report quotes the President as saying he did not know the NSC staff was engaged in helping the Contras during the 1985–1986 timeframe.

Did you know that the NSC staff was engaged in helping the Contras?

Mr. REGAN. Well, I knew that Lt. Col. North would speak to various groups, I knew that through our public liaison person at the White House, meetings were set up, people brought into the White House for purposes of discussing the Freedom Fighters.

North was one of the ones that they had as a briefer.

Mr. SMILJANICH. Well, other than these types of jawboning activities, were you aware or familiar with any of Colonel North's other activities in connection with helping or assisting the Contras?

Mr. REGAN. No.

Mr. SMILJANICH. —paramilitary assistance, that type of thing?

Mr. REGAN. No.

Mr. SMILJANICH. All right.

Did you ever ask Mr. McFarlane or Admiral Poindexter who was filling the void created by the fact the CIA could not engage in activities in Central American on behalf of the Contras?

Mr. REGAN. No, I did not.

Mr. SMILJANICH. All right. Well, in any of the legislative strategy sessions, you did have strategy sessions in connection with attempting to get Congress to change its mind about assistance to the Contras; is that correct?

Mr. REGAN. Yes, we did.

Mr. SMILJANICH. In any of those sessions, did anyone ever suggest that the NSC staff was already helping to coordinate assistance to the Contras?

Mr. REGAN. No, not in that sense of the word. The NSC staff, and particularly when Bud McFarlane was there, and he enjoyed such good relationships with the Congress, he was in charge of our legislative efforts, but as far as in the field or relationships with the Contras outside of the legislative process, I never got into that.

Mr. SMILJANICH. Well, in any of these sessions, did anyone ever suggest that even if the Boland Amendment could not be repealed, the NSC staff could continue to engage in many activities which would assist the Contras in Central America?

Mr. REGAN. I'm not conscious of any discussions of that in the legislative sessions or other sessions.

Mr. SMILJANICH. Mr. McFarlane told this committee that he believed that the Boland Amendment applied to the National Security Council staff; Admiral Poindexter testified that he believed that the Boland Amendment did not apply to the National Security Council staff, and that indeed the National Security Council had taken over the role of the CIA in Central America.

Now, you were Chief of Staff during the tenure of both of those gentlemen. What did you know or understand about that subject?

Mr. REGAN. Well, I never looked into the legalities of the Boland Amendment. I've never had the privilege of being a lawyer, and I didn't think that I knew enough to be able to opine as to whether or not this was legal, who could do it, who couldn't do it. I left that up to the NSC.

Mr. SMILJANICH. Given the importance of the Contras and their cause to the President, given the fact that you did attend daily briefings and meetings of the National Security Council, were you even aware there was such a dramatic difference of opinion between the successive National Security Advisers about this subject?

Mr. REGAN. No, I was not.

Mr. SMILJANICH. It never came up in any of the briefings you attended?

Mr. REGAN. No.

Mr. SMILJANICH. Did you ever inquire, did you ever make any inquiry to determine what was going on with regard to assistance to the Contras during the Boland amendment period?

Mr. REGAN. No. That was outside my purview.

Mr. SMILJANICH. Admiral Poindexter testified that he kept the President briefed generally about the activities of the NSC staff. What do you remember about any such discussions with the President?

Mr. REGAN. Well, the President obviously got briefings as to the status of the insurgency and how well or how poorly the Freedom Fighters were doing because either of lack of equipment, or if they had equipment, how well they were using it.

But from the point of view of who was running the operation or how the details of the operation, that was never discussed in my presence with the President.

Mr. SMILJANICH. The President was never told in at least meetings that you attended that there were private benefactors who were assisting the Contras? Was he ever told that?

Mr. REGAN. The President did know that there were private benefactors. As a matter of fact, on occasion he would do a drop by if they were brought into the White House to discuss with these people.

I recall one where we were told there were a group of benefactors in who were raising money for TV ads and newspaper ads in support of the Freedom Fighters, and the President did go in and talk with such a group for about 5 minutes. So he had to be aware that there were efforts of this nature.

Mr. SMILJANICH. Were you aware that at least some people in these groups were providing help with regard to lethal aid to the Contras?

Mr. REGAN. No, I was not. We were told, I remember the President's being told that a woman had supplied a helicopter for the Contras, but it was a Medivac type of ship, not a lethal type.

Mr. SMILJANICH. Now, the committee has heard testimony about an NSPG meeting that was held on May 16, 1986. And if you need to refer to it, in front of you is classified excerpts from that particular meeting. Yes, that one right there.

This NSPG meeting involved discussion about possible alternatives, funding for the Contras in mid-1986. One of the options discussed in there was seeking third-country help or assistance.

First of all, do you have a general recollection of that meeting?

Mr. **Regan**. A general recollection, yes.

Mr. **Smiljanich**. At the time of that meeting, were you aware that what we have referred to as Country Number Two—and, by the way, do you have that list in front of you? If not, I think probably the *Washington Post* has it.

Mr. **Regan**. Yes, I see it here. I didn't bring my copy.

Mr. **Smiljanich**. At any rate, were you aware that Country Number Two had made large contributions of funds for the Contras?

Mr. **Regan**. No, I was not.

Mr. **Smiljanich**. At any time, were you ever told that?

Mr. **Regan**. No.

Mr. **Smiljanich**. All right. Looking down the list of countries, were you aware of any of those countries having been solicited or actually providing funds for the benefit of the Contras?

Mr. **Regan**. No, I was not aware of it.

Mr. **Smiljanich**. Did you know that the NSC staff was engaged in seeking such contributions from other countries?

Mr. **Regan**. No.

Mr. **Smiljanich**. Mr. McFarlane——

Mr. **Regan**. Well, wait a minute, hold on. I do recall that at this particular meeting here it was agreed that the State Department and perhaps the CIA—I'm not certain on that one—would solicit funds, and it would be coordinated by NSC.

So to that extent I was aware that the NSC would be in that process of seeking funds.

Mr. **Smiljanich**. This was pursuant to the legislation which authorized the State Department to solicit third countries?

Mr. **Regan**. That is correct.

Mr. **Smiljanich**. All right.

Now, the committee has heard testimony that Secretary Shultz went back and, through his Assistant Secretary, Elliott Abrams, the country of Brunei was picked and in fact solicited and agreed to make a major contribution.

The committees also heard testimony the $10 million they agreed to contribute never reached the appropriate bank account.

After this May NSPG meeting in 1986, did anyone ever explain to you and the President where the Contras were getting their funds during this time that they were in such desperate need of funds?

Mr. **Regan**. At no time when I was with the President did anyone explain to him by name, by country, by amount, no.

Mr. **Smiljanich**. All right.

But the President was, in fact, concerned about the Contras and seeing to it that they would continue to survive as a viable factor in Central America?

Mr. **Regan**. Oh, yes.

Mr. **Smiljanich**. We'll turn, if you would, in your exhibit book in front of you——

Mr. **Regan**. Which one is that?

Mr. **Smiljanich**. The one with all the tabs.

Mr. **Regan**. This one?

OK.

Mr. **Smiljanich**. Would you turn to exhibit 58.

Mr. **Regan**. Fifty-eight?

Mr. **Smiljanich**. Yes, sir.

Exhibit 58 is a series of notes that were taken by Mr. Rod McDaniel.

Who is Mr. McDaniel?

Mr. **Regan**. Mr. McDaniel is the Executive Secretary, I believe, of the NSC.

Mr. **Smiljanich**. And during a large portion of 1986, he attended the daily briefings with——

Mr. **Regan**. Yes, he did. During the illness of Don Fortier, in particular, McDaniel was there.

Mr. **Smiljanich**. These are his notes from various meetings that were held during that timeframe. The very first note in exhibit 58—do you see the one that's dated March 20th?

Mr. **Regan**. Yes, I do.

Mr. **Smiljanich**. All right. There is a notation there. It says 60 days' stock, it says Contras 60 days' stock after 31 March. This is the type of information that the President was receiving in his daily briefing about the status of the Contras?

Mr. **Regan**. Yes, because—well, let's see, this would have been 19—is this 1986?

Mr. **Smiljanich**. Yes, sir.

Mr. **Regan**. This would have been Admiral Poindexter telling the President the urgency of getting the passage of the bill through the Congress because of the low level of stocks.

Mr. **Smiljanich**. And the President was being told that in fact the Contras only had about 60 days' worth of stock?

Mr. **Regan**. That's right.

Mr. **Smiljanich**. If you will turn about five pages into these notes, to one dated June 20, the number at the top is N9016.

Mr. **Regan**. I have it.

Mr. **Smiljanich**. All right.

It says there—again another McDaniel note of the President's daily briefing—it says Contras 30 days' ammo left.

Again, this is the type of information that the President was receiving?

Mr. **Regan**. That's right. And then that is followed by some names, which is a clear indication these are Members of Congress that they are urging the President to contact in order to advise them of the perilous situation of the Contras and urge passage of the bill.

Mr. **Smiljanich**. This is pretty detailed information to be given the President at a 15-minute session with them on national security matters. It is indicative, is it not, of the fact that the President was very concerned about the ongoing status of the Contras and their ability to survive?

Mr. **Regan**. Well, in this case it was the ongoing legislation and the legislative effort to get that passed, that time was passing, is what they are trying to tell him here. It is already June, their stocks are down, you got to get moving here to get the Congress to pass the additional help.

Mr. **Smiljanich**. The appropriated funds were not available until much later in 1986; is that correct?

Mr. **Regan**. That's right.

Mr. **Smiljanich**. All right.

Well, during that time period when appropriated funds were not available, when the solicitation that the State Department was authorized to engage in was not being successful, when the President was being told that the Contras were running very low on supplies, what understanding did you have or what inquiries did you make about how the Contras were receiving funds or getting by during that period?

Mr. **Regan**. I made no inquiries of my own—again, feeling that this was outside of my area. This is more in the area of not only the National Security Adviser, but the State Department, CIA, and others.

So from a personal point of view, I have no knowledge of that. I was only there when—if the President were being told in a 9:30 briefing about what the situation was.

Mr. **Smiljanich**. At any of these briefings, did the President exhibit any curiosity about where the Contras were getting their money from?

Mr. **Regan**. I don't recall his asking specifically that, no.

Mr. **Smiljanich**. But you were aware of the fact that the—excuse me—you were not aware of the fact that the NSC had any operational role in connection with the Contras in Central America?

Mr. **Regan**. No, I don't think we were ever told they had an operational role.

Mr. **Smiljanich**. All right.

You were, however, aware of the fact that the NSC had an operational role in connection with the Iran initiative?

Mr. **Regan**. Yes.

Mr. **Smiljanich**. All right. Let's turn to that now.

Your first knowledge of any initiative being attempted in connection with the Government of Iran took place in July of 1985 when Mr. McFarlane wanted to see the President, who was recovering in the hospital from an operation?

Mr. **Regan**. That's right, at Bethesda Naval Hospital.

Mr. **Smiljanich**. At that time, Mr. McFarlane presented to the President the possibility of an opening to Iran that the Israelis were working on?

Mr. **Regan**. Yes.

Mr. **Smiljanich**. Now did he—do you recall him mentioning anything in connection with arms as being a part of this process?

Mr. **Regan**. I don't remember arms being discussed at the time in the hospital. The doctors had warned me and had warned Bud McFarlane that he couldn't stay long with the President, that we should get in and get out.

It was only the—I guess the third day after his operation. So accordingly, the discussion was kept to a minimum.

What McFarlane was trying to do was to find or get permission from the President to initiate such discussions in order to have authority to continue or rather to undertake in accordance with what the Israelis had suggested some openings to these Iranian persons who at that point were unknown factors.

Mr. **Smiljanich**. All right, sir. Well, before that session in the hospital, on July 13, 1985, there is an exhibit, exhibit no. 2 in your book, which is a cable that Mr. McFarlane sent to the Secretary of State. I realize it doesn't show that you received a copy of this or that you ever saw it.

At any rate, in mid-July of 1985, Mr. McFarlane was advising the Secretary of State that part of this plan involving the Government of Iran contemplated the delivery of 100 TOW missiles to Iran and that in connection with that, the hostages might be released.

Your recollection is this was not brought to the President's attention at this first meeting in the hospital?

Mr. **Regan**. Not at the first meeting. I believe that was at the second meeting which would have been after the President returned from the hospital to his quarters.

Mr. **Smiljanich**. In August of 1985, the committee has heard testimony about a meeting that the President held with the Secretary of State, yourself, and others in which Mr. McFarlane discussed this particular Israeli initiative.

Was it at that meeting that you recall the arms being mentioned for the first time?

Mr. **Regan**. I believe so.

Mr. **Smiljanich**. You understood that a part of this plan was that Israel would ship some type of munitions to the Government of Iran and it was also presented to you and the President that Israel would contemplate or expect the United States to replenish those munitions or missiles that were shipped to Iran?

Mr. **Regan**. What I recall is this—it is quite curious, and I will tell you why I recall it so vividly. In explaining what we were attempting to do and to open up this Iranian contact and start discussions with emissaries from that country, it was said that they were suspicious of the people with whom they were dealing, that is how high up in the U.S. Government did they go.

On the other hand, we were suspicious of them. Did they really represent a reputable portion of the Iranian Government, if there is such a thing. And as a result, they used a curious word. They said we would have to show our bona fides.

As an old Latin scholar, that grated right on my nerves, bona fides.

Anyway, we would show our bona fides by using weapons, which was a common currency in the Middle East, and in return, we were going to ask for their bona fides, which would be that they would use their best efforts to cut down on terrorism to haul in or rein in any terrorist over whom they had influence.

At the same time, they would use their best efforts over the kidnappers of the American hostages, to secure the release of the hostages. That is the way it was presented.

Mr. **Smiljanich**. So in connection with this matter, our currency was TOW missiles or munitions and their currency was terrorism and hostages?

Mr. **Regan**. That is right.

Mr. **Smiljanich**. Now in September——

Mr. **Regan**. But it didn't start out, I hasten to add, before anyone gets the impression that this started out as strictly an arms-for-hostage deal—and I know there has been a lot of controversy about that—that was the—you down, down No. 3 and 4, the first purpose obviously was to start this dialog with Iran, a very important nation, a crossroads between East and West, that we should do all we could to make certain that we had an anti-Soviet Iran.

A pro-Soviet Iran stretching as it does from the Caspian to the Persian Gulf would give the Soviets the warm water ports they had been looking for for centuries.

So we decided that we should try to open up a dialog with Iran. That was the first purpose of it.

Mr. SMILJANICH. But the first step in the process was this exchange of bona fides?

Mr. REGAN. That is right.

Mr. SMILJANICH. In September of 1985, Mr. McFarlane specifically advised you and the President that the Israelis had in fact shipped 500 TOW missiles to Iran; is that correct?

Mr. REGAN. That is right.

Mr. SMILJANICH. All right.

Is it your testimony that the—that you and the President did not know prior to that shipment of TOW missiles that Israel intended to do so?

Mr. REGAN. I certainly did not know it, and I have no recollection of anyone telling the President in my presence about the shipment prior to its being done.

Mr. SMILJANICH. What was said at that meeting in September of 1985 about the replenishment of the missiles that Israel had shipped to Iran?

Mr. REGAN. The President was quite upset that his hand was being forced this way. He still wasn't certain, because he had told McFarlane in the August 6 meeting to go slow on this and let's make sure we know who we are dealing with before we get too far into this.

As a result, to have his hand forced that way was quite upsetting. And he said, "As far as any replenishment is concerned, we will cross that bridge later. I am not going to do anything about that now."

Mr. SMILJANICH. It would be fair to say he did not rule out the possibility at that time?

Mr. REGAN. He didn't, but he didn't volunteer to do it right away either.

Mr. SMILJANICH. Moving then to the Geneva summit which took place in November of 1985, you attended that summit with the President?

Mr. REGAN. I did.

Mr. SMILJANICH. And during that summit, we have heard testimony about Mr. McFarlane telling you and the President about an ongoing shipment of HAWK missiles which Israel was engaged in at the time?

Mr. REGAN. That is right.

Mr. SMILJANICH. What is your recollection of what Mr. McFarlane told you and the President?

Mr. REGAN. Prior to the time we left, I recall just a momentary conversation, this was not a detailed briefing to the President, that there something up between Israel and Iran. It might possibly lead to our getting some of our hostages out, and we were hopeful, but he would keep the President apprised of what was going on.

Quite obviously, that was not the number one topic on our minds, at least I put it out of my mind until at one point, on the margins of the meeting, McFarlane asked if he could talk to the President about a different subject. So we went off in a corner, as I recall, and he told the President that—it was a very convoluted arrangement in which a plane would go to a warehouse in Portugal or some other such spot, and would pick up planes—pick up arms there and fly them to Israel. They would then go to one or another city in Iran, and at the same time, they were making arrangements to try to get hostages out. It was a very complicated maneuver.

And he said he would keep the President up on whether or not it had happened. We heard nothing more about it until after we got back from Geneva, in which he said that the thing apparently hadn't gone satisfactorily, the wrong shipment had been made, so on.

Mr. SMILJANICH. And he made it clear that the item that was being delivered was HAWK missiles or some type of missile?

Mr. REGAN. Oh, yes.

Mr. SMILJANICH. Back even prior to going to Geneva, Mr. McFarlane had told you and the President that something such as that was being contemplated and may take place; isn't that correct?

Mr. REGAN. Yes. But I don't recall whether or not he said HAWK missiles at that time. Certainly he said HAWK missiles in Geneva.

Mr. SMILJANICH. OK. And you and the President understood that Israel would want replenishment of the material that was sent to Iran?

Mr. REGAN. Yes, but as I recall, it was a lot more than 25, something in the neighborhood of 80.

Mr. SMILJANICH. What did the President say he would do about the matter of replenishment?

Mr. REGAN. "Well, let's see what happens."

Mr. SMILJANICH. Again, he didn't rule that out?

Mr. REGAN. He didn't rule it out. He didn't rule it in. He didn't make a commitment.

Mr. SMILJANICH. After returning from Geneva, a meeting of the senior advisers of the President was held on December 7, 1985; do you recall that meeting?

Mr. REGAN. Yes, I do.

Mr. SMILJANICH. Before we get to that meeting, just briefly, Admiral Poindexter has testified that the President signed a Finding, a Presidential Covert Action Finding, on December 5 which had been prepared by the CIA. Now, your records reflect that you were present at the December 5 daily briefing that Mr. McFarlane—excuse me, Admiral Poindexter had with the President.

Do you have any recollection of the President signing a Finding on that day?

Mr. REGAN. Absolutely none. I do not know anything about that Finding or I don't recall the President signing it. I don't recall it going through the normal paperwork flow. I know nothing of that Finding.

I have racked my brains since I've read about it in the press, that you have had testimony to that effect. I've checked with my members of the staff, the White House staff, who were working with me at that time, as to whether they remember it. No one can remember seeing that document.

Mr. **Smiljanich**. But you've already described a procedure whereby material could be presented to the President by the National Security Adviser without you even being aware of it?

Mr. **Regan**. That is possible. I'm not saying it did happen. That's possible. But I certainly did not see that document.

Mr. **Smiljanich**. And on occasions, although you can't say of course that it happened with regard to this Finding, on occasions, the President was in effect presented with material that didn't pass through you?

Mr. **Regan**. That's correct.

Mr. **Smiljanich**. At the meeting of December 7, 1985, Secretary Shultz, Secretary Weinberger, and you opposed the idea of going forward any further with this matter.

What were your objections to it at that time?

Mr. **Regan**. There's an old Wall Street expression that I use, "cut your losses." We had taken a chance here. We thought it was an endeavor that was worth exploring. We weren't getting anywhere.

Five or 6 months had passed. It didn't look like it was going anywhere. Why bother? Cut your losses and get out of it.

Mr. **Smiljanich**. In other words, would it be fair to say they were practical objections to the fact that it just wasn't succeeding?

Mr. **Regan**. That's right.

Mr. **Smiljanich**. What was the President's view during that session?

Mr. **Regan**. I think he was disappointed that there was no success, that we weren't able to open up any dialogue with Iran. I know that he still wanted something, but he said, well, I think our compromise was that McFarlane would go to London, talk to those Iranian representatives and tell them that we were getting nowhere, and cut the thing off. And let it go at that and see what else would happen.

Mr. **Smiljanich**. When Mr. McFarlane returned from London, he recommended that the entire operation be aborted or terminated; is that correct?

Mr. **Regan**. As I recall, he was quite disgusted with the sleazy type of characters that he had met there.

Mr. **Smiljanich**. And he conveyed the impression to you and the President?

Mr. **Regan**. He did.

Mr. **Smiljanich**. In early January, Admiral Poindexter talked to you further about this matter, very early January, leading up to a January 7 meeting, and expressed the opinion that he felt this matter ought to go forward; is that correct?

Mr. **Regan**. That's right.

Mr. **Smiljanich**. What did he tell you at that time was new or up in the air about this matter?

Mr. **Regan**. I don't recall whether this was on Air Force One on the way back from California and a meeting that the President had with President de la Madrid. It could have been there. If it weren't, it was certainly the next day that he had said something new had come up in the Iranian situation, that the—I'm not sure he said Israel, but he said an Israeli had come up with a new plan that would—seemed to be feasible, that we possibly could open up a second channel; perhaps we could talk to people of a higher rank within Iran. He thought it was something worth exploring.

Mr. SMILJANICH. At any rate, he left you or he told you specifically that there was a new channel to Iran, a new way of getting to the Government?

Mr. REGAN. The possibility of a new channel.

Mr. SMILJANICH. Did he tell you that the contact with the Government of Iran was still Ghorbanifar?

Mr. REGAN. Well, Ghorbanifar was mixed up in it, but he was not to be the principal one, as I understood it.

Mr. SMILJANICH. Did he tell you that the contact within the Government of Iran was the same individual that Ghorbanifar had been dealing with in the past?

Mr. REGAN. The implication was that it would be an additional or better contact within the Iranian Government.

Mr. SMILJANICH. Did Admiral Poindexter say that anything had happened to improve Mr. Ghorbanifar's chances of getting the hostages released by this process?

Mr. REGAN. I don't recall that.

Mr. SMILJANICH. Did he tell you that the Israelis and Iranians were now talking about 4,000 TOWs as opposed to 100 TOWs back in September?

Mr. REGAN. Not at that time. Not initially.

Mr. SMILJANICH. At any rate, based upon Admiral Poindexter's statements to you that there was a new channel, a new opening available, the possibility available here, this led to a January 7 meeting of the President's senior advisers. In fact, I think it was an NSPG meeting?

Mr. REGAN. Well, there was a January 6 meeting before that.

Mr. SMILJANICH. Let's talk about the January 6 meeting first. You were present at the daily briefing of the President on that day, according to your records?

Mr. REGAN. Yes.

Mr. SMILJANICH. Admiral Poindexter discussed a new proposed Finding with you and the President?

Mr. REGAN. That is right.

Mr. SMILJANICH. Is that the meeting you are referring to?

Mr. REGAN. And the Vice President.

Mr. SMILJANICH. That is the meeting you are referring to?

Mr. REGAN. Yes.

Mr. SMILJANICH. He had a proposed Finding with him he gave to the President and discussed with him?

Mr. REGAN. Yes.

Mr. SMILJANICH. This was the day before the NSPG meeting?

Mr. REGAN. That is right.

Mr. SMILJANICH. Exhibit 14, if you will turn to that for a second? Exhibit 14 is a signed Presidential Covert Action Finding, dated January 6, 1986. It shows the President's signature on the bottom. First of all, do you have any specific recollection that this was the Finding presented to the President on that day?

Mr. REGAN. Well, I know a Finding was presented to the President on that day. I assume this is it.

Mr. SMILJANICH. Did you understand during that meeting that this was a Covert Action Finding that the President was supposed to actually execute on that day to move forward?

Mr. REGAN. No. As I understood what this was, this was a prebrief of the President anticipatory to the meeting that he would have on January 7th so that he would know what the issues were and what type of decision he would be asked to make at the January 7th meeting.

Mr. SMILJANICH. How did it come to be signed?

Mr. REGAN. I don't know. I think it had to be an error, because it isn't normal that the President would sign a draft such as this. Notice that this one, you know, it does not have the normal appearance of a Finding. I have to think that this was the start of the process and inadvertently signed.

Mr. SMILJANICH. At the meeting of January 7, you expressed the view of moving forward with this initiative, is that correct?

Mr. REGAN. Yes. I guess I'm a born loser. Having lost in the first time around, why try it again?

Well, it seemed again a worthwhile effort. I come back to the fact that it is important that we have contacts with Iran. We must do all we can to maintain some liaison there in the hopes of continuing to be at least neutral, if not pro-Western, and, accordingly, if we could make contacts higher up in that government, all right, let's try it again.

Mr. SMILJANICH. But a large part of your thinking at that time had to do with the information that Admiral Poindexter had given you after coming back from the Christmas vacation?

Mr. REGAN. Oh, it was based entirely on what I had been told. I had no firsthand knowledge of this. I hadn't anticipated any conversations with any of the other people.

Mr. SMILJANICH. Now, do you recall that at the January 7th meeting, first of all, Secretary Shultz was present, is that correct?

Mr. REGAN. Yes.

Mr. SMILJANICH. Secretary Weinberger?

Mr. REGAN. Yes.

Mr. SMILJANICH. The Attorney General?

Mr. REGAN. Yes.

Mr. SMILJANICH. Now, do you recall that the plan that was discussed during that meeting involved 4,000 TOWs total?

Mr. REGAN. Up to 4,000 TOWs. It was not to be 4,000 TOWs all at once, but it would—the permission was being sought to utilize up to 4,000 TOWs.

Mr. SMILJANICH. And part of the plan was that a first shipment of 1,000 TOWs, missiles, would be sent to Iran in exchange for which all of the hostages would be released? All of the hostages, is that correct?

Mr. REGAN. Yes.

Mr. SMILJANICH. That was the plan that was discussed then?

Mr. REGAN. Yes.

Mr. SMILJANICH. At the January 7th meeting, Secretary Weinberger expressed some concerns about the legality of this operation. Do you recall that?

Mr. REGAN. I don't recall it being Secretary Weinberger. It is probable that he did so. But I know somebody raised objections.

Mr. SMILJANICH. About the legality?

Mr. REGAN. Yes.

Mr. SMILJANICH. Did the Attorney General express an opinion about the legality at that meeting?

Mr. REGAN. As I recall, he did, and he assured us that this would be legal if there were a Finding.

Mr. SMILJANICH. Did he indicate the basis for that opinion?

Mr. REGAN. I don't recall his giving the basis. He may have.

Mr. SMILJANICH. Well, did he tell you or the group that he had read the statute and recalled reading an opinion of his predecessor from 5 years before?

Mr. REGAN. I do recall somebody bringing that up, and it is possible it was the Attorney General, about the William French Smith opinion.

Mr. SMILJANICH. Do you recall him indicating that he had done any kind of—had his staff do any kind of research back at Justice?

Mr. REGAN. No. I don't recall that amount of detail.

Mr. SMILJANICH. And the President decided at that meeting on January 7 that he wanted to move forward with this?

Mr. REGAN. Yes.

Mr. SMILJANICH. And on January 17, he signed a Presidential Covert Action Finding.

Mr. REGAN. No, he didn't.

Mr. SMILJANICH. All right.

Mr. REGAN. No, he didn't.

Mr. SMILJANICH. What happened?

Mr. REGAN. As I recall what happened was—this was very brief during part of the regular 9:30 meeting. There were other subjects discussed. And, oh, by the way, we have that Finding from the January 7th. It was not shown to the President. He was briefed orally by the National Security Adviser, assured that it was in line with what he had seen on January 6th and what had been discussed at January 7th was in accordance with his wishes. I do not recall the President signing that document.

Mr. SMILJANICH. All right, sir. Well, if you will turn to exhibit 17 in your book.

Mr. REGAN. Yes.

Mr. SMILJANICH. Do you have that?

Mr. REGAN. Yes.

Mr. SMILJANICH. That is a Presidential Covert Action Finding, dated at the bottom, January 17, 1986.

Mr. REGAN. Yes.

Mr. SMILJANICH. And the signature of Ronald Reagan appears on it?

Mr. REGAN. That is right.

Mr. SMILJANICH. Is it your testimony, then—what you are saying is you don't specifically recall the President signing this document?

Mr. REGAN. That's right. I don't remember him signing it, but that certainly is his signature.

Mr. SMILJANICH. When did you first discover that the President had signed a Finding on January 17 allowing this matter to go forward?

Mr. **Regan**. Sometime in October of 1986. Bill Casey called me to ask if I had a copy of the Finding of January. I asked my staff to see if we had a copy in our files. We had none.

I went back to him and said no, I don't have one, ask John Poindexter. I said how come you don't have one. He said we don't have one in our files, and he said that's why I'm trying to find one.

So I didn't realize that the thing had been signed or where it was until late October of '86.

Mr. **Smiljanich**. So you are saying that in late October of 1986, after this operation had been going forward for 8, 9, 10 months, neither you nor Director Casey had specific knowledge that the President had signed a Finding dated January 17?

Mr. **Regan**. I think both of us—although I shouldn't characterize what he was thinking, but I will say that I was thinking that all along I just assumed that he probably had signed it. I just didn't see it.

Mr. **Smiljanich**. And you couldn't locate a copy and the Director of Central Intelligence couldn't locate a copy?

Mr. **Regan**. That is correct.

Mr. **Smiljanich**. You finally did determine who had the only copy of that Finding; is that right?

Mr. **Regan**. Yes.

Mr. **Smiljanich**. Who did you call?

Mr. **Regan**. I asked Poindexter about it the next day. I said did Casey call you about that Finding. He said yes. I said where the hell has it been—excuse my language. That is normal for me. Excuse me.

And he said I have the only copy, it's in my safe, he said it's with me.

Mr. **Smiljanich**. Moving back to the January-February timeframe, in late February, you were—you and the President were aware that 1,000 TOW missiles had been shipped to Iran from the United States?

Mr. **Regan**. Yes.

Mr. **Smiljanich**. The President knew of and approved those shipments?

Mr. **Regan**. Yes.

Mr. **Smiljanich**. And under the plan that had been discussed with the senior advisers in January, upon the shipment of this first 1,000 TOW missiles all of the American hostages held in Lebanon were supposed to be released; isn't that correct?

Mr. **Regan**. Yes.

Mr. **Smiljanich**. When no hostages were released after shipment of those TOW missiles, what did you recommend the President do about the fact that the Iranians had broken their word?

Mr. **Regan**. I told him I thought we ought to break it off, that we have been snookered again, how many times do we put up with this rug merchant type of stuff—or words to that effect.

Mr. **Smiljanich**. What did the—what was the President's attitude or decision?

Mr. **Regan**. I think he shared my view that we had been had.

Mr. **Smiljanich**. Did he instruct anyone to terminate their activities?

Mr. **Regan**. No. There was a pause then and I sort of lost track of what was going on. At that point we were deep in the middle of the tax bill and the budget battle, and I sort of lost track of, you know, what was going on. I wasn't paying that much attention to it.

Mr. **Smiljanich**. Well, it popped back up during the Tokyo summit in May of 1986 when Secretary Shultz came to you and was very concerned about something.

Do you recall that?

Mr. **Regan**. Yes.

Mr. **Smiljanich**. And what do you recall him telling you at that time?

Mr. **Regan**. Has the man's name been mentioned in open hearing? It has?

He told me that Ambassador Price had called him to alert him to the fact that Tiny Rowlands, a British business person, was inquiring about whether or not we were engaged in shipping arms to Iran, that he was being offered a—I suppose you'd say a share in the underwriting of this, and wanted to know was this indeed U.S. policy.

And when I heard the name Rowlands involved in this, I was really concerned.

Mr. **Smiljanich**. You knew of Mr. Rowlands?

Mr. **Regan**. By reputation.

Mr. **Smiljanich**. What was your concern at that time?

Mr. **Regan**. Well, you know, what kind of a deal is this? Here we are going to outsiders, to a "British merchant banker," or entrepreneur, as part of the Iranian arms sales? I couldn't follow what was going on.

So I told him, I said you better get a hold of Poindexter and find out what is going on there. So he said he would. So that's the last I heard of that one.

Mr. **Smiljanich**. Well, Secretary Shultz has testified that it was his recollection that when he gave you this information in Tokyo, first of all that you were alarmed.

Would it be fair to say you were alarmed at this information?

Mr. **Regan**. Concerned, yes.

Mr. **Smiljanich**. It was Secretary Shultz's recollection that you stated to him that you would attempt to bring it to the President's attention.

Mr. **Regan**. I don't recall that. I'm not sure that I thought that of sufficient importance to involve the President.

Mr. **Smiljanich**. Well, if you were alarmed and you felt that this matter was possibly now in the hands of some people that you didn't particularly trust, why didn't you feel that this was something that—particularly given the fact that after the February shipment, when no hostages were released, you felt that this matter ought to be terminated?

Why didn't you bring it to the President's attention at that point?

Mr. **Regan**. Well, having—knowing that the Secretary of State was aware of this information, having made my concerns known to the Secretary of State, and he in turn reflecting those views to the

National Security Adviser, I felt that those were two very competent people who could handle the situation and would.

There was no need for me to be going either around them or bringing something directly to the President that was really in their purview. I was trying to keep channels, if you will, or keep these things in channels.

Mr. SMILJANICH. Did you ever talk to the President about this matter? I mean around that timeframe.

Mr. REGAN. Around that time, no.

Mr. SMILJANICH. Did you check back with Secretary Shultz at any point to see whether he had been satisfied by Admiral Poindexter's—

Mr. REGAN. No. Again, you've got to remember we were at an economic summit. I was concerned that the President was being briefed, had enough information, going over with him some of the fine points of what the heads of government were discussing. So I put this sort of thing out of my mind.

Mr. SMILJANICH. Now, in late May of 1986, the President—after Mr. McFarlane's trip to Tehran, the President turned down a proposition that had been made to Mr. McFarlane for the delivery of two hostages for the HAWK spare parts that were being shipped through Israel.

The President and Mr. McFarlane had insisted that all the hostages be released before any more parts would be delivered; isn't that correct?

Mr. REGAN. That's right.

Mr. SMILJANICH. All right.

By November of 1986 the President had authorized the delivery of all of the HAWK parts, 500 additional TOW missiles and two pallets of medicine, all in return for those same two hostages.

Why did our negotiating position collapse so completely during that timeframe?

Mr. REGAN. I cannot offer you an explanation of that. I don't know.

Mr. SMILJANICH. Well, as someone who came to government service from a phenomenal career on Wall Street, it must have occurred to you that the United States was being hustled?

Mr. REGAN. It was a bait and switch.

Mr. SMILJANICH. Did you so advise the President?

Mr. REGAN. Yes.

Mr. SMILJANICH. And what did the President say about why he was allowing this thing to continue?

Mr. REGAN. Well, I think he assumed that there are many times when a political leader has to deal with unsavory characters in order to accomplish an end, and I think he was under the impression, well, if we can get to the top there, someplace toward the top in Iran, perhaps, you know, we can deal with them, but we have to work our way up the ladder.

Mr. SMILJANICH. The committee has also learned, in addition to the above-added incentives which were thrown into the deal, the Iranians were told that we might be able to help with the Dawa prisoners in Kuwait, and we might be able to help with the overthrow of the Iraqi Government. Was that ever discussed by Admiral Poindexter in your presence?

Mr. **Regan**. Whenever that subject came up to the President, he was insistent he would never deal for those Dawa prisoners, never. He said, "I will never go to the Emir of Kuwait, and ask him to release any of those, those people are criminals, they are in jail properly, I will never ask him to release those."

As far as overthrowing the Government of Iraq, that was not our policy, and I never heard that being brought up to the President.

Mr. **Smiljanich**. It also was not our policy to be selling arms to Iran, but this was never discussed in the President's——

Mr. **Regan**. Again, you got to remember the circumstances under which we did this. This was the exception proving the rule.

Mr. **Smiljanich**. Had anybody ever indicated to the President in your presence, or had the President ever stated that it would be all right to at least talk about these matters with the Iranians even if we didn't intend to do anything about it?

Mr. **Regan**. Not about the Dawa prisoners, absolutely not, nor the overthrow of Saddam—you know who I mean—in Iraq.

Mr. **Smiljanich**. That would be, those types of promises that were not going to be kept would not be consistent with the idea of a new vision of a new bilateral relationship with Iran, would they?

Mr. **Regan**. That is right.

Mr. **Smiljanich**. Now that brings us to the events of November, 1986. Your contemporaneous notes indicate that you were a proponent of going public with this information——

Mr. **Regan**. Absolutely.

Mr. **Smiljanich**. —early on.

Mr. **Regan**. Absolutely.

Mr. **Smiljanich**. All right. What was your reasoning there?

Mr. **Regan**. Well, here's a breaking story that, whether it's breaking in Beirut or breaking anywhere, that I could see was not going to stop. I recall discussing with other members of the staff, "The cover is blown here. We have got to go public with it. We have got to tell the Congress, we have got to tell the American public exactly what went on so they are aware of it."

Mr. **Smiljanich**. What did Admiral Poindexter recommend?

Mr. **Regan**. Absolutely not. It was later reported in local papers here that we had a shouting match. We didn't have a shouting match, we did have a difference of opinion—a strong one.

Mr. **Smiljanich**. Vigorous.

Mr. **Regan**. His reasoning was a good one, that Jacobsen had just come out as a hostage, North was preparing to go to London and actually did go to London that first weekend in November—what was it, the 8th or 9th, in through there—and there's a possibility of two more prisoners coming out, two of the original ones, and maybe even the additional three, the later ones. And why blow that chance? We got to keep the lid on this, we got to deny it, we're endangering their lives.

And then I might add here, a very dramatic thing happened. I recall it vividly. Jacobsen had a Rose Garden ceremony welcoming him back. He had said in his remarks he had cautioned the media about discussing this. On the way back, as the President and he were mounting the steps to the colonnade to go back into the Oval Office, there were shouted questions from the media about, "What are you going to do about the hostages, what about the others that are there?"

And Jacobsen turned and very emotionally said, "For God's sake, don't talk about that, that is exactly what I have been saying, you are endangering lives of the people I love, these are my friends." That made quite an impression on the President. And even though that same day I urged him again to get this story out, he said, "No, we can't, Don," he said, "We can't endanger those lives." And he didn't.

I did get him to promise, though, that on November 10, Monday, we could have a meeting to discuss just how much we could reveal.

Mr. SMILJANICH. And that meeting was held on November 10?

Mr. REGAN. Yes.

Mr. SMILJANICH. We have as exhibits here the notes of Mr. Keel, who attended that meeting and also your notes. They are exhibits 41 and 41(a). If you will turn to 41(a) for a moment, now those are notes in your handwriting?

Mr. REGAN. They are.

Mr. SMILJANICH. All right. They are fairly complete, in fact they are about 15, 14-15 pages worth of notes. You were keeping pretty extensive notes of the ongoing discussion, is that right?

Mr. REGAN. That is correct.

Mr. SMILJANICH. All right. And at this meeting, Admiral Poindexter, toward the beginning, gave a general history of this operation for the assemblage, is that right?

Mr. REGAN. That is right.

Mr. SMILJANICH. And in this presentation to the group, he said that a total of 1,000 TOW missiles had been shipped to Iran, which included the original Israeli shipment which the United States would have to replenish, is that correct?

Mr. REGAN. Yes.

Mr. SMILJANICH. Well, that was incorrect information, wasn't it?

Mr. REGAN. Yes.

Mr. SMILJANICH. The Attorney General stated at that meeting that the Israelis had sold these TOW missiles to Iran instead of the United States. Now, that was incorrect, wasn't it?

Mr. REGAN. Again, I am not a lawyer, so I don't want to seem to be too strong on these points, but in point of fact the Israelis did sell because the money went from Iran to the Israelis to our bank accounts. So technically speaking, I think that is correct.

Mr. SMILJANICH. Where did you receive this information about the money flow in connection with these missiles for the February TOWs, for the May HAWK parts, and for the October, 1986 TOW missiles?

Mr. REGAN. From the hearings of these Select Committees.

Mr. SMILJANICH. The presentation by Admiral Poindexter——

Mr. REGAN. Incidentally, it's ironic that they would have had all of this machinations about foreign finance and the one guy in the White House who knew a little about foreign finance was never consulted.

Mr. SMILJANICH. The presentation by Admiral Poindexter also included the fact that this whole operation or initiative had started when someone had stumbled across Israeli shipments coming out of a warehouse in a European country, is that correct?

Mr. REGAN. That is right.

Mr. SMILJANICH. That is not how the operation started, is it?

Mr. REGAN. No.

Mr. SMILJANICH. It was also said in that meeting that Lt. Col. North still had a chance of getting two hostages released, is that right?

Mr. REGAN. That is right.

Mr. SMILJANICH. All right. So even with the revelations that had reached the press to that date, it was your understanding that this hadn't affected our relations with our contacts in Iran and the possibility of moving forward with this?

Mr. REGAN. No, that was explained at that meeting that these contacts wanted to continue discussions.

Mr. SMILJANICH. What was decided, what was the outcome of that November 10 meeting?

Mr. REGAN. It was really not a clear-cut decision. It was left that we would continue our efforts to get these hostages out, but the President said that he had to have some type of statement, we were going to have to brief the Congress, and we had to know just how much in the way of facts that we could release without endangering these hostages. There was to be another meeting, I think it was 2 days later, with leaders of Congress to fill them in on all of the—as much as we could, because at that point it was rampant speculation in the press.

So I was urging at that point that either the President go on TV or that he hold a press conference and go through the whole thing, but that was ruled out as, well, if you get into a press conference you are going to blow the whole thing, so you had better not do that, and how about a sanitized TV speech? Well, perhaps we can explain it to the nation, but it was left as really no firm decision came out of the meeting.

Chairman INOUYE. May I interrupt to announce that a vote is now pending in the House. That will explain the absence of House members.

Mr. REGAN. I thought I was boring them.

Chairman INOUYE. Please proceed.

Mr. SMILJANICH. Within 10 days of that meeting, both a speech to the nation and a press conference were, in fact, held, however. How did those decisions come about?

Mr. REGAN. Well, we continually discussed this. I know I was being urged by others on the staff, the Director of Communications, Pat Buchanan, by Larry Speakes, by others, saying this President is getting hung out to dry here, and unless you say something, this thing is going to be, you know, a major imbroglio, and we have got to do something. I was hammering at Poindexter that, look, we're going to have to do this, and finally we got the President to say, okay, we will go with the TV address.

But then at the same time we finally convinced them, all right, you got to go with the press conference, you just can't duck all these stories that are being leaked here, leaked there, erroneous stories coming out, Danish ships, and all this type of stuff, you are going to have to come out and tell the whole story.

Mr. SMILJANICH. You helped briefed the President for both the speech on the 13th and the press conference on the 19th?

Mr. **Regan**. He didn't need briefing for the speech, but it was briefing for the press conference, yes.

Mr. **Smiljanich**. The speech was prepared?

Mr. **Regan**. Prepared.

Mr. **Smiljanich**. All right. Now, you knew at the time that this was ongoing that the President in September of 1985 had been informed of the 500 Israeli—500 TOWs that had been shipped by Israel.

Mr. **Regan**. Yes.

Mr. **Smiljanich**. And had indicated at that point that he would not completely rule out the possibility of replenishing those TOWs?

Mr. **Regan**. Yes.

Mr. **Smiljanich**. And you also knew at that time that the Israelis' delivery of TOWs was tied to the release of Benjamin Weir?

Mr. **Regan**. Yes.

Mr. **Smiljanich**. You knew of the Israeli shipments in November, the HAWK shipments in November of 1985, because you and the President had been informed of that?

Mr. **Regan**. Yes.

Mr. **Smiljanich**. All right.

And no one in connection with those November 1985 shipments had ever indicated in any way that oil-drilling equipment was being shipped to Iran; isn't that correct?

Mr. **Regan**. I recall that that was to have been a cover story if discovered, it was to have been said that these were oil-drilling parts.

Mr. **Smiljanich**. OK.

So, in other words, you and the President understood that HAWKs were involved in that November 1985 shipment but that——

Mr. **Regan**. Certainly.

Mr. **Smiljanich**. —oil-drilling equipment was a cover story?

Mr. **Regan**. Sure.

Mr. **Smiljanich**. Now, did you not remind the President—in connection with his preparation for these speeches of the September TOWs—of the November HAWKs, in his preparation?

Mr. **Regan**. Not during the preparation as such.

Maybe I should of sort of set the stage there for a couple minutes so you will understand how a Presidential briefing for a press conference goes.

It normally takes place in the family theater. There are just people who understand or have a role to play in foreign policy that sit in on the foreign policy portion of it. When it comes to the domestic portion, other people come in from the staff.

Sitting down in front of the table, some of the lists are—three of the staff, who act as interrogators of the President, similar to questions—asking the same type of questions that he might be asked by the media, he is given a book—we tried to do it 72 hours in advance, perhaps 48 hours in advance—of answers to suggested questions.

All of the foreign policy questions—or the answers, rather—are prepared by the national security staff. When it comes to the interrogation, the President is asked the questions, then the National

Security Adviser is the first one who starts a critique of the President's answers, as to whether they are right or wrong.

During this time the President was getting conflicting advice as to how much he could say and what he shouldn't say. As a matter of fact, there were many in the room who had no knowledge of the shipments, and Admiral Poindexter was trying to be oblique in referencing, (A) Israel and (B) the type of munitions that had been sent, so that the people in the room wouldn't be aware of what was going on.

I think this sort of confused the Presidential mind as to what he could say and what he couldn't say and what he should say and what he shouldn't say.

There are many times, I think, when you have a lot more knowledge than the questions—if I understand anything from lawyers, it's that you only answer the question that is put to you, don't volunteer a lot more information.

Accordingly, the President was on guard that night as to how much can I say vis-a-vis Israel, and he did get the answer botched.

Mr. **Smiljanich**. Well, during the speech and during the press conference one of the matters that the President did volunteer was the statement that all of the weapons shipped to Iran could easily fit into a single cargo plane with plenty of space left over.

Now, obviously the President had to be told something like that in order for him to make a statement like that.

How did that particular information come to his attention?

Mr. **Regan**. Somewhere in these notes I think you may find it. Somewhere in here are notes that have been furnished to this committee.

This was during a meeting where, discussing with Poindexter and Keel, the President—I'm not sure whether the Vice President was there or not—we were discussing just how much had been done.

And the President said, well, we have only sent them a small amount. Poindexter volunteered the information, oh, hell yes, a very small amount. I said, well, you know, like that old "What's My Line" type of questioning, you know, bigger than a breadbox.

I said, John, how big is it, can you tell me how big it is, I have no idea. I fought a different war—what a—big a TOW missile is, let alone how big spare parts for HAWKs are.

He said, oh, hell, they'd fit on a small plane, a couple pallets.

So I said, well, can you find out the answer, and he came back and—a little red-faced—and said, well, make it a C–5. But it literally could fit on a C–5.

So that's where the statement came from, it all could fit on a plane. Most people think of it as a 727 or something—no. They are talking about a C–5——

Mr. **Smiljanich**. Now, when he first——

Mr. **Regan**.—and I doubt that by the way even at that they would fit, but that's something else again.

Mr. **Smiljanich**. I think the record will probably reflect eventually they would have a lot of difficulty getting into a C–5. Perhaps it could be done with a shoe horn. I'm not certain.

At any rate, when you first asked this question and Admiral Poindexter gave you his opinion about how big a TOW missile was, do you recall that you were in the Oval Office and he said every one they shipped could probably fit in that office?

Mr. REGAN. Yes, I think he did say something like that.

Mr. SMILJANICH. There wouldn't be much room in the Oval Office to get any work done if, as it turned out—when you find out how much it would take to ship these TOW missiles, isn't that correct?

Mr. REGAN. The Secret Service would have quite a problem if they had that many TOWs in the Oval Office.

Mr. SMILJANICH. After all of this preparation that you have described and after the press conference that the President held on November 19th, there had to be a correction made immediately after the press conference?

Mr. REGAN. Yes.

Mr. SMILJANICH. And that involved the issue of whether or not a third country had been involved in these shipments.

Mr. REGAN. Yes.

Mr. SMILJANICH. Now, during discussions that were held immediately after the press conference, did any information come to your attention about a chronology or any paperwork that the NSC staff was using in connection with the compilation of these facts?

Mr. REGAN. Well, after Admiral Poindexter had scribbled out a correction and we had gone over it with the President, that was in the Blue Room right outside the East Room where the press conference had been held, and Speakes was given that final copy to release to the press, I walked over to the elevator with the President, bade him good night and walked back, and on the way to my office went through the Roosevelt Room.

There were a group of staffers still in the Roosevelt Room, some NSC, some the White House staff, and they were discussing what had happened and why the President had misinformed the public about—you know, inadvertently, not deliberate—and I noticed that North was leading the discussion.

And after we got a little way along in the discussion I decided to leave to go back to my own office to pack up to go home, one of—another White House assistant walked out with me and he said to me, did you recognize what North had there, what he was quoting from. I said no.

He said he's got a chronology. I said a chronology of what. He said it has to be of all these events. I said, well, get me a copy of that.

So the next morning this same staffer reported back to me that he couldn't get a copy of it. I asked Poindexter for a copy. I said North has a chronology, let me see it.

An hour or so later he brought a copy over to me. Two or 3 hours later he came back and requested that I give it back to him; he said it was incorrect.

I didn't. I held onto it. It's part of your records now.

I had shown it—I gave it immediately to the President's counsel, Peter Wallison, and said look this over, there's something screwy here, take a close look at this and see what your eye detects.

And so we didn't give the—a copy back to Poindexter.

Mr. **Smiljanich**. Would you turn for a moment to exhibit 49 in your book. That's a copy of a three-page chronology dated November 20, 1986.

You may not be able to specifically recall that this was the exact chronology you saw, but does this look like the type of chronology you received?

Mr. **Regan**. It was the type of chronology I received. Whether it was the specific one, I couldn't say.

Mr. **Smiljanich**. I understand that. There are several versions of this. The chronology here is approximately—well, it's three pages long.

Does that seem about the length of the chronology you received?

Mr. **Regan**. Yes.

Mr. **Smiljanich**. All right. Did it concern you that here we were on November 20, after this matter had been on the front pages of every major newspaper, had been the lead-off story with all the networks for a month now, that the President had already been before the public—the nation on a speech, that the President had held a press conference which was a very contentious press conference, and was out front there having to field these tough questions, that here we were, after all this time, on November 20, and the NSC staff could not put together an accurate three-page chronology?

Mr. **Regan**. Very concerned. Very concerned.

Mr. **Smiljanich**. Did you bring that to the President's attention at that time?

Mr. **Regan**. Yes.

Mr. **Smiljanich**. All right. How did that come about, who did you meet with?

Mr. **Regan**. I told the President when I met with him before Poindexter came in on the—I'm trying to get my dates straight. This would have been the 20th. No, the 21st, the morning of the 21st; that something sure as hell was screwy, because I had asked for a chronology, it had been given to me, they took it back. They couldn't seem to get their act together.

I said, "I just don't understand what's going on here. They don't seem to be able to come up with it, if I were you, Mr. President, I would, insist, crack the whip and make them come up with the correct chronology."

Mr. **Smiljanich**. On that Friday, November 21, the Attorney General told you and the President that there was a conflict in the testimony between Secretary Shultz on the one hand and Mr. McFarlane, Casey, and North on the other hand about whether or not HAWKs were on the November, 1985, shipment; do you recall that?

Mr. **Regan**. Yes, I do. But before you get to that, that night, November 20, the Secretary of State was boiling, as a matter of fact, all during the day, because he claimed to have spotted or his staff had spotted five or six errors in the President's remarks, and he thought that the President was being ill-used, and he personally wanted to tell this to the President.

So he did meet with the President—I was present at the meeting—in the quarters on the evening of November 20, and pointed out to the President some of these discrepancies.

Mr. **Smiljanich**. He spoke in pretty blunt language at that point, didn't he, about the fact there were so many discrepancies and inaccuracies in the statements to date?

Mr. **Regan**. He sure did.

Mr. **Smiljanich**. All right. And it was the next day then that the President met with you and the Attorney General and the Attorney General talked about this conflict between the testimony?

Mr. **Regan**. Right.

Mr. **Smiljanich**. All right. Now, this led then to the Attorney General's factfinding investigation which started on that day and ran through the weekend.

Did the Attorney General ask you and the President on November 21 whether or not you had any information as to what was on that November, 1985, shipment?

Mr. **Regan**. No, not as such. He told us that this was discrepancies in the stories of, or remembrances of various people in NSC, CIA, and so on, but did not ask us what we remembered of it, no.

Mr. **Smiljanich**. Well, you had information that would have assisted in his investigation with regard to clearing up that controversy, didn't you?

Mr. **Regan**. Yes and no. We did not know which facts were incorrect. We did not know the basis of the dispute as to whether it was facts involving the dates of shipments or the amounts of shipments, or what they were. He characterized it as being discrepancies, period, that he wanted, or thought should be looked into and cleared up so that we had all of the facts and have them correct.

I may have added a little bit to the haste with which the Attorney General looked into some of this thing, because I urged him to have the thing ready by Monday afternoon at 2:00. We had called a meeting of all of the NSC members in order to go over our future with Iran: where do we go from here? The story is out, the President has been on the air; where do we go from here, what—and how are we going to arrange it?

Recall that the Secretary of State was urging that State take over and run this operation now. Question: Should they be doing it? Who should be doing it? Should we be doing it all?

So I said, "Ed, it would be appropriate that at least when we review where we have been, that we at least know or have common knowledge of all of the facts, so try to get them by 2:00 on Monday."

Mr. **Smiljanich**. Well, there were only a handful of people in the entire U.S. Government who knew back in November, 1985, that there was this ongoing HAWK shipment, and two of them were sitting there in the Oval Office with the Attorney General who was beginning a factfinding investigation.

Is it your testimony that the Attorney General did not even ask you and the President what information you could contribute to this question?

Mr. **Regan**. Yes. That's right. It is not unusual, by the way. Remember, he is just starting an investigation. I don't know how—I notice by your bios, many of you have been in investigatory positions before. I don't know whether you start at the bottom and work your way to the top, or start at the top and work your way to the bottom in an investigation.

I figured if he wanted information from us, he would ask us at the appropriate time.

Mr. SMILJANICH. You understood that the Attorney General was going to try to get some information together in connection with very early the next week, November 24 or 25?

Mr. REGAN. That's right.

Mr. SMILJANICH. During that timeframe, up to the 24th, did the Attorney General ever interview you or the President about your recollections?

Mr. REGAN. He did not interview me, and I don't think he interviewed the President.

Mr. SMILJANICH. That takes us to November 24. During that weekend of the 22d and 23d, did you have any involvement in the investigation? Did you have any discussions with anyone at the White House?

Mr. REGAN. No.

Mr. SMILJANICH. All right. Now, on November 24th, you were told by the Attorney General about the diversion of funds; is that correct?

Mr. REGAN. Yes.

Mr. SMILJANICH. That's Monday. He told you before the information got to the President?

Mr. REGAN. Yes. Not in detail but just as—there has been some diversion of funds here, apparently, and this is information we got to get to the President.

Mr. SMILJANICH. All right. What was your reaction when you heard that information?

Mr. REGAN. Horror.

Mr. SMILJANICH. All right. Did you then meet with the President and the Attorney General that morning and give the President this information, or exactly what did you do?

Mr. REGAN. The President had a political leader coming in from, I believe it was an African political leader coming in around 11:30, so we shoe-horned Ed Meese in for just a few minutes to alert the President that he had some bad news, but I think this is the phrase he used. He said, "I have a few things to button up, then I want to get back to you and tell you the full story." So we agreed that we would meet after the NSPG meeting in the Oval Office.

Mr. SMILJANICH. Did he say anything in this initial conversation about anything in connection with the diversion of funds?

Mr. REGAN. I think he may have said a possible diversion of funds, but no names were specified nor amounts nor any details.

Mr. SMILJANICH. You were then present after the NSPG meeting with the Attorney General and the President when the Attorney General gave the President a little more details about what he had discovered?

Mr. REGAN. That's right.

Mr. SMILJANICH. It was just the three of you in the Oval Office?

Mr. REGAN. That's it.

Mr. SMILJANICH. What was the President's reaction upon——

Mr. REGAN. Deep distress, deep distress.

You know, the question has been asked, I've seen it in the paper time and time again: did the President know? Let me put it this way. This guy I know was an actor, and he was nominated at one time for an Academy Award, but I would give him an Academy Award if he knew anything about this when you watched his reaction to express complete surprise at this news on Monday the 24th. He couldn't have known it.

Mr. **SMILJANICH**. It would be fair to say, based on his reaction, he didn't think it was such a neat idea?

Mr. **REGAN**. No, I don't—I wouldn't characterize it that way at all.

Mr. **SMILJANICH**. OK.

Now, you knew nothing about the fact that there had been a mark-up of the cost of these missiles in connection with their shipment to Iran?

Mr. **REGAN**. That's what Meese told us.

Mr. **SMILJANICH**. Your understanding was this was a direct cost transaction?

Mr. **REGAN**. Yes.

Mr. **SMILJANICH**. All right. You had a term for that, you have a term for your understanding of what kind of deal this was on Wall Street?

Mr. **REGAN**. On Wall Street the deal, as I understand it, was NPH.

Mr. **SMILJANICH**. What does that stand for?

Mr. **REGAN**. "No profit here." That is, you're selling it at cost, no profit. That's what I thought we were doing, selling it out of our stocks or replenishing Israeli stocks at our cost.

Mr. **SMILJANICH**. Was a 600-percent markup consistent with a vision of a new bilateral relationship with Iran?

Mr. **REGAN**. I'll say one thing, that may be another way to try to balance the budget.

Mr. **SMILJANICH**. What was said on this afternoon of November 24 about the future status of both Admiral Poindexter and Lt. Col. North?

Mr. **REGAN**. Nothing specifically. I indicated to the President that this is very serious. As a matter of fact, in that meeting I told both Ed Meese and the President, I said, "We got to get this out right away." It was then close to 5:00. I said, "There is no sense going with it tonight; let's go with this tomorrow. But we are going to have to get it out."

I told the President later, after Meese had left, I said, "I think John Poindexter has got to go. We just can't have a guy like that around here if he didn't follow up on this." Because you got to remember, at that point, what Meese had told us was that Poindexter said, "I should have been supervising North better, and I didn't. I didn't look into this."

I also suggested at that meeting that taking a lead from the tragic Challenger disaster, that we had better have a commission look into this, that nobody would believe it if just Ed Meese looked into this, that he wanted to start a criminal investigation. I thought that was proper, but just as NASA wanted to investigate itself and come up with the Challenger report, and I said no, and we ended up with a Rogers Commission. I said absolutely not. We are going to have to have our own commission, independent people, and that was the birth of the Tower Commission right then and there, that afternoon.

I don't recall any conversation regarding North on Monday afternoon.

Mr. SMILJANICH. It was just determined at that point that Admiral Poindexter would have to resign?

Mr. REGAN. The President didn't assent, didn't disagree. He is not the type that likes to go around firing people.

Mr. SMILJANICH. In other words, you told him it was your advice——

Mr. REGAN. Ironic statement, coming from me.

Mr. SMILJANICH. At any rate, you told the President you believed that Admiral Poindexter would have to resign and you took the President's silence as assent to that decision?

Mr. REGAN. Yes.

Mr. SMILJANICH. And nothing was said about Lt. Col. North's status that evening?

Mr. REGAN. Not on Monday afternoon.

Mr. SMILJANICH. Now during the afternoon or going into the evening of November 24th, Director Casey had been trying to reach you; is that correct?

Mr. REGAN. That is correct.

Mr. SMILJANICH. He told you he had something he wanted to talk to you about, he urgently wanted to talk to you?

Mr. REGAN. Yes.

Mr. SMILJANICH. Did you meet privately with Director Casey that night?

Mr. REGAN. I couldn't find a time that was mutually convenient, because I came back from the meeting with the President and Ed Meese, immediately got a couple of members of the staff working on a Presidential statement for the following morning, and going through a lot of other things.

As a matter of fact, believe it or not, after hearing all of this stuff, that night we had a meeting on the budget. It was scheduled, and it couldn't wait. So I had to sit through a budget meeting.

But I told Casey that—he asked if on the way home, I could stop by Langley and meet with him. So I said yes, I would stop by for a few minutes on my way home to dinner.

Mr. SMILJANICH. And you did so?

Mr. REGAN. Yes, I did.

Mr. SMILJANICH. The meeting was just two of you?

Mr. REGAN. Just the two.

Mr. SMILJANICH. Any notes?

Mr. REGAN. Not by me.

Mr. SMILJANICH. At this meeting, you told Director Casey about the fact that you and the President had learned that day that there had been a diversion of funds from the sale of these munitions to Iran?

Mr. REGAN. I did.

Mr. SMILJANICH. And what was Director Casey's reaction?

Mr. REGAN. Well, you don't get much facial reaction, or didn't get much facial reaction from Bill Casey. You wouldn't know exactly how he was taking this news. It did seem to surprise him, because originally he asked, he said, "Where are we? Why can't we get this thing straight? Why can't we get a story out?"

And then I told him of what Meese had told the President and me that afternoon, and he said, "What are you going to do about it?"

I said, "We are going to go public with it tomorrow." I said, "We have to get this story out. We can't sit on this one."

And he said, "Well, do you realize the consequences of what you are doing?" He said, "You are going to blow the whole Iranian thing and possibly blow the lives of these hostages."

I said, "Be that as it may," I said, "How the hell can we"—excuse me—"how can we sit on this stuff for any longer? I mean the thing is an absolute disgrace that we haven't put it out yet. And on top of that, now that we have this possible criminal act," I said, "how can we sit on it?"

He said, "Well, I guess you got to do it," but, he said, "I hope you realize, you know, this is going to cause quite a few upsets and is going to be a major story."

I said, "I know it, Bill, but that is the only thing we can do."

Mr. **Smiljanich**. He specifically mentioned one of the dire consequences might be a cutoff of further funding for the Contras?

Mr. **Regan**. Yes.

Mr. **Smiljanich**. And he also stated that he believed the Iranian Government would be angry and upset to learn that they had been charged a markup and what had been done with that residual?

Mr. **Regan**. Yes.

Mr. **Smiljanich**. He was also concerned about congressional reaction to this matter in general; is that correct?

Mr. **Regan**. Yes.

Mr. **Smiljanich**. Did he recommend that anything be done specifically?

Mr. **Regan**. No.

I didn't, you know—I was doing most of the telling rather than asking him what we should do. And he didn't volunteer except, you know, "Have—do you realize what you are doing?" that type of thing.

Mr. **Smiljanich**. Then the meeting ended?

Mr. **Regan**. Yes. It was a short meeting. I wouldn't say more than 20, 25 minutes.

Chairman **Inouye**. Mr. Smiljanich, would this be a good place to take our recess?

Mr. **Smiljanich**. Yes.

Chairman **Inouye**. The hearing will stand in recess for 10 minutes.

[Recess.]

Chairman **Inouye**. The hearing will please come to order.

Mr. Smiljanich?

Mr. **Smiljanich**. Thank you, Mr. Chairman.

Mr. Regan, let's before we leave that meeting that you had with Director Casey on the evening of the 24th, was anything said at that meeting about the fact that Admiral Poindexter was going to resign the next day?

Mr. **Regan**. No.

Mr. **Smiljanich**. Now, you talked about the fact that after you told Director Casey this information, and he described some of the dire consequences that he saw would result from this disclosure, let me ask you this: what was it that Director Casey wanted to see you so urgently about that evening?

Mr. **REGAN**. As I recall, it was that he was wondering, you know, what is the President's state of mind at this point. You know, we are going round and round here, we don't seem to be able to get a straight story, what is the President thinking at this point.

Mr. **SMILJANICH**. But I had the impression from your description of the fact that he wanted to see you that it was very urgent, that there was something in particular he wanted to see you about that evening?

Mr. **REGAN**. Well, whatever it was, if it were something either entirely different or either part of the Iran-Contra affair, he never did bring it out, because I think the news that I gave him was the only subject we discussed that evening.

Mr. **SMILJANICH**. So if he had something specific and urgent that he wanted to talk to you about, when you described the diversion, whatever it was he wanted to talk to you about was passed over?

Mr. **REGAN**. I guess so.

Mr. **SMILJANICH**. The next morning, November 25th, I think you have already just briefly touched on it. When you came into the White House, you went and talked briefly with Admiral Poindexter?

Mr. **REGAN**. Well, that evening at home, the evening of the 24th, I drew up a rather lengthy plan of action as to what steps we would take in order to remind me of various things.

I got into the office early, at 6:30 in the morning, to work with the staff on the Presidential statement, to check with Ed Meese to see if he were ready, and would be at a position to answer all the media inquiries that would come about, and then I told my secretary that I wanted to see Admiral Poindexter, if she could find out was he in. He wasn't.

He didn't come in until much later than normal that morning, but then I did go see him.

Mr. **SMILJANICH**. And what did you tell Admiral Poindexter and what did he tell you?

Mr. **REGAN**. Well, again, this is a very vivid recollection in my mind. He was sitting at the end of his conference table having breakfast from a tray, and I went in and in my normal fashion said, you know, "What is going on, John?" You know, "What the heck happened here?"

And he was very careful, deliberate. John is a deliberate man. He adjusted his glasses, he dabbed at his mouth with his napkin, put it down. He said, "Well, I guess I should have looked into it more, but I didn't."

He said, "I knew that Ollie was up to something, but," he said "I didn't know what." And he said, "I just didn't look into it.

I said to him, "Why not? What the hell? You are a vice admiral. What is going on?"

And he said, well, I suppose this will get me into trouble now with one of my old neighbors from my old neighborhood back in Cambridge, MA, but, he said, "Well, that damned Tip O'Neill."

He said, "The way he is jerking the Contras around, I was just so disgusted," he said, "I didn't want to know what he was doing."

Mr. **Smiljanich**. You didn't have any discussion with Admiral Poindexter about any authorization he might have received in connection with this matter?

Mr. **Regan**. No. I told him then—I said, "Well, John, I think when you go into see the President at 9:30, you better make sure you have your resignation with you."

Mr. **Smiljanich**. What did he say?

Mr. **Regan**. He said "I have been thinking of that." He said, "I will."

Mr. **Smiljanich**. And at the 9:30 daily national security briefing, Admiral Poindexter submitted his resignation?

Mr. **Regan**. He came in and immediately started the discussion by saying—he told the President he was sorry for what had happened and again repeated that he probably should have looked into it more, but didn't. And he was submitting his resignation.

Mr. **Smiljanich**. What did the President say?

Mr. **Regan**. Well, it was a very sorrowful moment, a very hushed moment. The Attorney General was there, as I recall. And the President nodded and said, "I understand." He said, "This is a shame that it has happened this way, that a man with your great naval record," so on, "has come to this end," but he said, "That is it," and there was sort of an awkward silence.

Poindexter left the room.

Mr. **Smiljanich**. What was decided with regard to the future of Lt. Col. North on the NSC staff?

Mr. **Regan**. His status was different from that of Admiral Poindexter. Admiral Poindexter was what we term a commissioned officer. That is, he was a Presidential appointment. And as such, would have to resign. Lt. Col. North was detailed by the Marine Corps to the National Security staff.

I said later at the 10:15 meeting, where members of the NSC, the Secretary of State, Secretary of Defense, and so forth were being briefed about what had happened, I told Cap Weinberger that I thought North should be detailed back to the Marine Corps, that he shouldn't stay on the NSC staff.

Mr. **Smiljanich**. And is that, in fact, how the situation was handled?

Mr. **Regan**. As far as I know, yes. Because later at the 11:00 o'clock meeting with the Congress, Cap Weinberger did tell the Senators and Representatives present that North was being returned to the Marine Corps for further assignment.

Mr. **Smiljanich**. Now, going forward then to early December, a meeting was going to be held with the second channel that had come up in connection with this Iran initiative. Leading up to that meeting, which would take place in Europe, Director Casey wanted to change something with regard to the talking points that would be presented to the second channel.

Do you recall that incident?

Mr. **Regan**. I recall something of it, yes.

Mr. **Smiljanich**. What do you recall? What did Director Casey tell you? What was he concerned about?

Mr. **Regan**. Well, as I recall, there was a very narrow construction that was going to be made of what the U.S. participants in those discussions could discuss and Casey wanted it broadened, I believe, to include the hostages.

Mr. SMILJANICH. Do you recall that the issue also involved whether or not this channel to Iran should include policy matters in addition to intelligence matters?

Mr. REGAN. Yes. Yes. That is what it was.

Mr. SMILJANICH. Director Casey wanted to make sure that this channel allowed the CIA to continue to have this channel in connection with policy matters; isn't that correct?

Mr. REGAN. Yes.

Mr. SMILJANICH. And he asked you to bring this to the President's attention?

Mr. REGAN. Yes.

Mr. SMILJANICH. Did you do so?

Mr. REGAN. Yes, I did. I told him—well, this is a normal procedure. There is nothing sinister about this. Any cabinet officer or cabinet rank officer who thought he needed a Presidential decision but not necessarily a meeting with the President would call me up and say, "Hey, on such-and-such, I think thus and so, why don't you tell the President about it?"

So I did. I told him what Casey's views were on it and told him that he should consider it and talk to George Shultz about it.

Mr. SMILJANICH. At any rate, the meeting was held and it was reported back the results of that meeting; is that correct?

Mr. REGAN. Yes.

Mr. SMILJANICH. Now, this is now mid-December 1986. After all of the front page publicity about this matter for over a month, after the public revelations of our prior negotiations with the Ayatollah, after this had been kept from the Intelligence Committees for well over a year, until they read about it in the papers, after all of that, isn't it correct that the Iranians were still offering to use their influence to get our hostages out of Lebanon?

Mr. REGAN. Yes.

Mr. SMILJANICH. And isn't it correct that the Ayatollah at that point still wanted to get his hands on U.S. weapons?

Mr. REGAN. I don't know about the Ayatollah, but those Iranians there were dickering for more arms, yes.

Mr. SMILJANICH. Well, you had no belief that these Iranian moderates were going to shoot their missiles at the Ayatollah, did you?

Mr. REGAN. I had no idea what they were going to do with them.

Mr. SMILJANICH. The Ayatollah's army was going to use——

Mr. REGAN. It may not be a bad idea, but go ahead.

Mr. SMILJANICH. You understood the Ayatollah's army was going to use those missiles to kill Iraqis? That was the purpose—that is why Iran wanted these missiles?

Mr. REGAN. They were always referred to by members of the NSC who were advising the President as defensive weapons. They were never characterized as offensive weapons.

Mr. SMILJANICH. Well, the Iraqi soldier who might be on the other end of the TOW missile might not make that distinction, would you agree with that?

Mr. REGAN. That is true, but if it is on the offense, he has to expect some defense.

Mr. **Smiljanich**. Thank you, Mr. Chairman. That's all the questions I have.

Chairman **Inouye**. Thank you very much, Mr. Smiljanich.

We will now recognize the designated Members, Senators Heflin and Cohen. They will be recognized for 30 minutes apiece.

Senator Heflin?

Mr. **Heflin**. Mr. Regan, first let me state it is my understanding that you appear here as a witness without invoking the fifth amendment.

Mr. **Regan**. That is correct.

Mr. **Heflin**. And no immunity has been granted you relative to your appearance.

Mr. **Regan**. That is correct.

Mr. **Heflin**. You—

Mr. **Regan**. And also I waived executive privilege also, sir.

Mr. **Heflin**. You have testified very cooly and calmly and convincingly with some areas in which there are question marks, and I want to try to get into some of those. But first we have heard a lot about fall guys and we have heard a lot about participants involved in this who would take the spears in the chest, but as of this stage, not to say that it won't be different at some later date, you appear to be the primary fall guy, that circumstances, in effect, have made you the fall guy.

Now, reading from the Tower Report, the Tower Report wasn't very complimentary of you, and they said that on page IV and XI, "More than almost any Chief of Staff of recent memory, he," referring to you, Mr. Regan, "asserted personal control over the White House staff and sought to extend this control to the National Security Adviser. He was personally active in national security affairs and attended almost all of the relevant meetings regarding the Iran initiative. He, as much as anyone, should have insisted on an orderly process being observed.

"In addition, he especially should have insured that plans were made for handling any public disclosure of the initiative. He must bear primary responsibility for the chaos that descended upon the White House when such disclosure did occur."

Now, in fairness, I think that you ought to have an opportunity to respond to that. I have really, I don't think I have ever heard a real explanation from you. You resigned and basically faded away, and I think you are entitled, in fairness, to respond and to respond here to the committee to these allegations of the Tower Commission.

Mr. **Regan**. I would be glad to do that, Senator.

First of all, I am not sure I want to educate the committee, but at least I educated myself. When I heard all this description of fall guys coming out in the press from these hearings, I asked my staff, I asked, "What is the derivation of fall guy, where did that term ever come from?" I didn't know whether it was a movie stunt man who took the falls for the hero or what it was. It turns out it's a wrestling expression dating back from the 19th Century, when they had fixed wrestling matches.

You recall in wrestling it is two falls out of three, and one guy would be the fall guy.

Mr. **Heflin**. Did you put that in past tense?

Mr. Regan. I put that in the past tense. Far be it from me to characterize current day wrestling. But, anyway, the fall guy was the guy who agreed to lose. I never agreed to lose, so inasmuch as I didn't do that, I am not sure I am the fall guy in that sense of the word.

As far as spears in the breast are concerned, I don't mind spears in the breast, it's knives in the back that concern me.

Now as far as chaos is concerned, I am not sure what could have been done about the chaos. I did try, in all honesty, to get this word out as quickly as I could to make it public, to let the Congress know, to let the American public know what we had been doing and that it was a failed policy, that it had not succeeded, make a clean breast of it. I think the American public will understand when one of their leaders tries something with good intentions and it doesn't succeed if they know about it and can understand it.

What they will not forgive is a desire to hoodwink them or to conceal something. I think the Congress has the same attitude towards the executive branch. I wanted to make it public, but as I explained earlier, it was decided that we should not do that for fear of endangering the hostages.

When the added fillip came of there being this diversion of funds, then the dam broke loose. There was no stopping that story then, and I realized that I don't care who it was; we just had to get that story out. It may have been inadvertent. I have seen some second guessing say "Why didn't they wait, why didn't they look more into this, why didn't they have a better story or a more complete story to tell on that Tuesday morning, the 25th?"

Well, I submit that I will take responsibility for the one who urged the President to get it out, and get it out now, even though it may only be half the story as we know it, get it out. So we did that. I have been accused of rigging the chronology, as a matter of fact, one of the so-called leading weeklies had a cover story on that, that I was responsible.

As you know from your own testimony here, I had nothing to do with that chronology, I was looking for the chronology, wanting it, trying to get it straight rather than sitting up at night trying to get people in some back room somewhere to rig it. There has been a lot said, but I guess that goes with the turf. Time enough has passed to where I am reconciled to it, so from that point of view, I will tell my story and let history judge it.

Mr. Heflin. Do you want to give any reply relative to the statement that "he, as much as anyone, should have insisted an orderly process be observed?"

Mr. Regan. I am not sure what they meant there. They never questioned me, by the way, on any of this, none of the members of the Tower Commission. I didn't testify at all about that, so I am still puzzled about what they meant. All I can speculate is that perhaps we should have had a fall-back position or some type of position. If this is uncovered, what do we say?

My attitude was then and still is now, when the thing is blown—when the cover is blown, all right, admit it, tell what has been going on, don't still try to conceal it.

Mr. Heflin. They also state that you were personally active in national security affairs, attended almost all of the relevant meetings regarding the Iran initiative. Now, from your testimony, I think we are left in a perplexing situation, if we believe your testimony, then I think we will have to be convinced that that was an intentional effort made to keep things from you and to take action, in effect, behind your back.

Do you have a feeling that this occurred?

Mr. **Regan**. Well, I do know this, Senator, that I was not informed of what was going on here, particularly the details of who was involved. I never heard of General Secord or Albert Hakim or any of these characters. I had no idea Mr. Khashoggi was involved in any of this. None of those details was ever made known to me. I certainly knew nothing of the diversion of funds and the mark up of the basic costs and so on.

So, from that, and I do know I have read in the paper that there was a PROF note from Colonel North to Admiral Poindexter about how much Don Regan knew of this, and John Poindexter's answer to North was: "He knows very little, and it's best you keep it that way." I have only just realized, I believe, that what he was referring to there was if I knew about it, I would blow the whistle. There is no way I would put up with diversion of funds. I have worked with money too much too long to know you just don't do that sort of thing.

Mr. **Heflin**. Do you feel that Mr. McFarlane, during his time as the National Security Adviser, kept you fairly well informed on the activities of his shop?

Mr. **Regan**. I received the daily briefings the same as the President did, I received copies of intelligence information. To that extent, I knew what was going on, but to this day, I have never seen an organization chart of the NSC. I do not know how much their budget is. I do not know how many people are on their staff.

One of the things that I would hope this committee could do is maybe give some guidance, if not for this President, at least for the next President, as to what a proper size of an NSC staff should be. We had hoped that the Tower Commission might do that, but in their rush to get their information of what they had found out, they were never able to pause long enough to consider that, but I do think that is something that should be the subject of discussion between the Congress that created the NSC and the executive branch that uses it.

Mr. **Heflin**. I don't believe you answered my question fully.

Mr. **Regan**. I am sorry.

Mr. **Heflin**. I asked you about, do you feel he kept you informed, Mr. McFarlane?

Mr. **Regan**. I think reasonably well informed, reasonably well, but certainly not to any detail as to who on his staff was doing what.

Mr. **Heflin**. All right, sir, December 4, 5, 6, in this area, seems to be a significant date in the year 1985, I believe it is on December, the 4th, that Mr. McFarlane resigns.

Mr. **Regan**. Yes.

Mr. **Heflin**. Admiral Poindexter comes on as a new National Security Adviser. At that particular time, the press reports generally accepted by the public that the reason Mr. McFarlane resigned was conflicts between you and Mr. McFarlane, particularly indicating that you wanted to have more control over national security matters.

Would you care to comment as to whether those reports, as I have attempted to summarize it, you think are true or false?

Mr. **Regan**. I think they're generally false. I have never personally discussed this with Bud McFarlane. I had good relationships with him, I don't say we were close friends or that we socialized together too much, but we had a good professional relationship. From his point of view, he actually resigned on Thanksgiving, or around Thanksgiving, long before December 4. He told the President he was going to resign. He went to see the President at the ranch on the Friday after Thanksgiving, I believe it was. I was back here in the East, I had no idea he was resigning nor indeed that he had resigned.

And as a result, it wasn't until the President told me after I saw him when he got back that he had McFarlane's resignation. And he said that McFarlane had told him he resigned because he was tired, he had been through a lot and thought it was time to move on.

Mr. **Heflin**. If you will, look in your exhibit book to exhibit 6, which is a Finding that the President signed first relative to the arms sale in which there is a question as to whether it was inadvertently signed. This is the Finding that does not mention an effort to develop a relationship with the moderate element in Iran but is strictly a Finding relative to arms-for-hostages. This was signed, I believe, on December 6, the second day after Admiral Poindexter took over as the National Security Adviser.

Now, this, along with the Finding on January the—I believe 6 or 7—and then on January, the 17th, you have testified that you have no knowledge of the signing of any one of those three Findings. Now, if Admiral Poindexter, coming on as the new man on the job and you supposedly, and in effect in his relationship with the President, were supervising him, did you give particular attention—more attention during the period from December, the 5th, when he took over, until January, the 17th, when the last Finding was made, of his activities and his relationship to the President during this period that he was a new man on the job?

Mr. **Regan**. No, I did not. And I did not supervise Admiral Poindexter. This was made abundantly clear by the President at the press conference, in which he announced the resignation of Bud McFarlane and the appointment of Poindexter.

He made, in his prepared remarks and then again in answer to a question—Admiral Poindexter specifically told the media that he was reporting directly to the President, not through me, not to me.

I assured Admiral Poindexter that I would work closely with him and wanted relationships to be good, to be open, and I knew there were many things we would have to work closely on, and in point of fact told him that if he felt at any time that he wasn't getting cooperation, for heaven's sake let me know.

As a matter of fact, I suggested to him that perhaps we should meet once a week just to make sure that things stayed on track, problems didn't fester, particularly staff problems. You know, there are a lot of bureaucratic tensions in government. That goes with government, I guess. I didn't want problems of that nature just to lie there and not be solved.

So we did agree and whenever possible we met once a week for breakfast, to go over mutual problems to straighten them out.

But in that period, in specific answer to your question, January 5—December 5 to January 17, no, I did not pay any extra particular attention to John Poindexter.

Mr. HEFLIN. Well, is there an explanation of why, if a person coming on the job new—and assuming a position of importance like that—you, in effect, have some degree of control relative to his relationship with the President and certainly as Chief of Staff it's an area you were interested in, as you were interested in all areas.

Was there any particular reason that you would give us that you would not do what is normally expected relative to the supervision of a new man on the job?

Mr. REGAN. Well, you see, again I'm trying to make that distinction, that he didn't report to me. So you keep using the word "supervision;" I would say "liaison" would be a closer descriptive word, or sharing or something of that nature, rather than supervision.

And during his first days on the job, I would occasionally say to him is everything all right? Is there anything we can do?

You see, from an administrative point of view, we had to give them support, office space, White House passes, parking spaces, all that folderol of administration, and wanting to make certain that all of that was being handled.

John Poindexter had been deputy now for years, so he pretty well knew the job, knew what was expected of the National Security Adviser, when the meetings were, how to prepare for them, all that type of stuff.

By the way, there have been reports he was my man, quote, unquote, and I put him in there. No. Bud McFarlane recommended Poindexter, at the time he retired at Thanksgiving time, to the President. And when the President told me of McFarlane's resignation, he said and he has recommended John Poindexter to replace him, what do you think?

I said good man, I said I think we should just go through the motions of letting me come up with a couple of other names and make a decision based upon that.

I did come up with a couple other names. The President said no, I'm comfortable with John, let's go with him. So, fine. We announced it on the 4th.

Mr. HEFLIN. In regards to your activities and relationship with the President, you generally controlled access to the President with some exceptions, and perhaps—in depositions you have told the committees and you may have here today, but there were certain people that had direct access.

Would you basically name them?

Mr. REGAN. Yes.

The Secretary of State, National Security Adviser, the White House doctor, the military aide—I'm missing one—there's one more.

Mr. ASPIN. The Vice President.

Mr. REGAN. Oh, the Vice President.

Mr. **Heflin**. All right, so now——

Mr. **Regan**. Let's start that all over again.

The Vice President, the Secretary of State——

Mr. **Heflin**. All right.

In addition to that, was it one of your primary responsibilities that the documents and papers that were presented to the President were under your control?

Mr. **Regan**. Yes.

Mr. **Heflin**. Now, was there an exception as to what could be done pertaining to the documents, in particular the briefings that occurred from the National Security Adviser?

Mr. **Regan**. Let me have that one once more.

Mr. **Heflin**. Was there an exception—in other words, the papers that came, that had to come through you to go to the President, was there an exception under the practice that you had carried on, relative to the national security on any documents?

Mr. **Regan**. There were exceptions. The national security advisers on occasion would pass papers to the President, usually through the method of putting them in his briefing book, getting his signature on them, and having them returned in the same fashion.

That's outside the normal way that papers flow in the White House.

Mr. **Heflin**. Well, if that was an exception, was there any way that you, in effect, developed a procedure that would give you knowledge of those papers?

Mr. **Regan**. No. I tried to find out if there were any such papers, because occasionally something would happen and somebody would say—from the National Security Council—would say to the President, well, you remember, we showed that to you, or you remember, you got that in your book. And I would say, hey, I didn't get that in my book, what happened?

And they would say we just gave that to the President.

Mr. **Heflin**. Well, do you, in other words, in effect your job is to know practically everything that the President knows. I don't know of any one responsive job that has as much responsibility, other than the President, than the job that you had.

Is there any other job that does not repose more——

Mr. **Regan**. I won't toot my own horn. There's been enough of that.

But I would say that yes, in general. I don't say I know as much as the President. I certainly didn't have the responsibility of the Presidency. I was supposed to have general knowledge of most subjects he would want to discuss.

Mr. **Heflin**. All right, sir, now, we have talked about the inflow of documents to the President. What about the outflow? Was it your responsibility to in an effect be the custodian of the papers that the President signed and to in effect preserve them?

Mr. **Regan**. There is a procedure set up for that in the White House. It was set up long before I got there. I merely continued it.

There's a staff secretary, and anything that has the Presidential signature on it is supposed to go to that staff secretary, so these papers can be recorded and can be filed, can be kept as part of the White House record. They are not supposed to be papers circulating or in being that are not part of the White House record.

Mr. **Heflin**. Well, were there exceptions made to that and were all of the preparers of papers for Presidential signature informed of that?

Mr. **Regan**. There is such an understanding. I believe there is a document to that effect.

Mr. **Heflin**. Well, if those papers did not get to the proper custodian, then there had to be some intentional effort made to prevent them from going to the custodian, would there not?

Mr. **Regan**. A slight change in the wording of that, Senator. You said custodian. The NSC is the proper custodian of National Security Directives. They are the ones that keep those papers.

What I'm saying is is that the method in which they acquired, originated and acquired those papers on occasion differed from standard procedure.

Mr. **Heflin**. Well, was there any other agency other than the national security agency that had an exception for the custodian of papers from the, the preservation procedure?

Mr. **Regan**. I don't know of any at this moment. If there is, I will be glad to furnish it for the record.

Mr. **Heflin**. Well, if the national security agency did have it, did they have certain established rules relative to the preservation of those documents?

Mr. **Regan**. I assume so. I do not know it of direct knowledge.

Mr. **Heflin**. This to me—well, now, you have a career in the stock market and I suppose of any business, that recordkeeping is so important. I would assume there have been days when Merrill Lynch sold millions of shares of stock and that there were many, many transactions that occurred.

From your background as to where you come from, is recordkeeping one of the important things that was drilled into you as a younger employee with Merrill Lynch and as you went up the ladder to become its head man?

Mr. **Regan**. Definitely. It is absolutely essential. As a matter of fact I wrote a book on this subject, because of the paperwork blizzard that hit Wall Street in the 1969-70-71 period. Many firms failed because they didn't keep proper records. And proper recordkeeping is absolutely mandated.

Mr. **Heflin**. Let me ask you about your conversation with Mr. Casey. I believe it is on Monday the 24th, and you testified here today what he told you, and did it.

Now, that appears to be somewhat different from your testimony that you gave, I believe, the Senate Select Committee. It is in the—it's on page 13 of the Senate Select Committee deposition given on March the 3d, 1987. This is a—do you have that?

Mr. **Regan**. Yes, I do, Senator.

Mr. **Heflin**. All right. Now, in that testimony, at that time, questions that were asked of you and the answers that you give, I'll endeavor to correctly read.

"Question: All right, let's go back then to the 24th—meaning the 24th of November. "You met that evening with Mr. Casey; is that correct?

"Answer: He dropped by for a few minutes.

"Question: Now, Mr. Casey was an old friend of yours.

"Answer: Yes.

"Is he the man who was responsible for getting you into government?

"There's been a lot of people who claim credit for that," your answer was.

"Question: You still say credit?

"Answer: I think there will be less claiming that in the future, or maybe currently.

"Is he a friend?

"Yes.

"Did you discuss this with him?" meaning the question of what Mr. Meese had revealed to you and to the President previously.

"Answer: Only to the effect that there was—no, I didn't. Let me back up. I did not discuss the precise nature of what Ed Meese, the Attorney General, had told the President.

"Question: Why was that?

"Answer: Well, at this point I didn't know who knew what and who was guilty of what. I thought the less I talked about it, the better off the Attorney General and his investigators would be.

"Question: But you didn't—but didn't you want to know what your friend, William Casey, knew of this?

"Answer: I knew that Ed Meese had been talking to him."

And then over, I believe, on page 15, starting at the question close to the middle of the page, "And Mr. Casey, was Director of CIA, did you talk to him at all about the whole problem of Iran?

"Only in general terms. Again, I did not know the extent of his knowledge, or I'm sorry to say this, the extent of his involvement if any in the matter. So I thought I would be on safer grounds not to discuss it with him, to leave it in the hands of the legal people."

Now, that appears to be inconsistent with your testimony today, and I would like to give you an opportunity to explain, if there's any differences, and if so, why were there differences.

Mr. REGAN. This deposition was taken within a matter of days after I had resigned so abruptly. And it was a confusing period.

Later, as I prepared for a second deposition, this time from the House Select Committee, I went over carefully with certain members of the White House staff various events, so I would be more precise.

As we came to the Casey thing, and I began to think it through, I realized that I had not stated the entire discussion. I then gave that in a deposition, I believe, when asked the question, to the House people, and then again I discussed it later with your counsel.

Mr. HEFLIN. Let me ask you about your statement to—your talk with Admiral Poindexter about the diversion, this being on the diversion that you learned about, and I suppose this was either just before November the 25th where you and Admiral Poindexter were discussing it.

Now in the House Select Committee, at page 89, there is the conversation, and I think this is an accurate statement that I can read maybe some of it exactly, but your answer was—the question—they questioned you about whether you had talked to Admiral Poindexter about the diversion, and your reply was, "I did talk to Admiral Poindexter asking him how did this thing ever happen. And he told me that he suspected something was going on with Ollie North. He probably should have looked into it. He didn't. I asked him why not. And he said, my God, you are a—and I said, my God, you are a vice admiral, why the hell didn't you look into what was going on here? And he said I didn't want to. He said I knew it would hurt the Contras and the way those guys on the Hill are jerking around, he said, I am afraid it would hurt them too much so I didn't look into it.

"So I said, well, John, I can tell you when you come in at 9:30, you had better have your resignation with you. And he says, I have been thinking of that."

Is that a correct recital of your testimony before the House Select Committee in a deposition stage?

Mr. REGAN. Yes.

Mr. HEFLIN. Mr. Chairman, how much time do I have left?

Chairman INOUYE. I am sorry to tell you, but your time has expired, sir, unless someone is willing to yield.

How much time do you need?

Mr. HEFLIN. Well, I can do it later on. If there is time.

Chairman INOUYE. I will yield 5 minutes to you, sir, of my time.

Mr. HEFLIN. I will take that later.

Chairman INOUYE. Senator Cohen is recognized for 30 minutes.

Mr. COHEN. Thank you, Mr. Regan. Mr. Regan, I think all of us are impressed with the straightforward testimony you have been giving and the touches and flashes of Irish humor. A number of the press people have asked me are we seeing the new Don Regan today and what accounts for this perhaps relaxed attitude.

I suggested, to coin a phrase, that you have slipped the surly bonds of public service.

Mr. REGAN. It's a good phrase.

Mr. COHEN. You don't have to respond to anybody in either wing of the White House at this point in your career.

I think all of us are—I think you would agree with that as well?

Mr. REGAN. No comment.

Mr. COHEN. I think all of us who are in public service are either glorified or gored on any given day by press accounts, sometimes on the same day and sometimes in the same paper, I would add.

During your tenure, there seemed to be a consistent parade of articles about your organizational manner and methods. One described it as being a cross between Merrill Lynch and Quantico.

Fred Barnes in *Reader's Digest* indicated that there was not an independent line of communication to the President other than yours. And then, there was the January issue of *Regardie's*, which I am sure you have read, again giving the whole background on how you managed things.

I recall a quote one time, perhaps I am in error, but it said that "Not a sparrow falls on the White House lawn without my knowing about it."

It sent me rushing back to the King James Bible to see if it had been revised recently.

This is one of the—I guess one of the questions on the minds of a lot of people, with that notion that somehow you were the strong man of the administration and everything had to go through you, what you are indicating today is that everything except national security matters in which the NSC Adviser had direct access, the

Secretary of State had direct access, but on those policy issues or policy matters, they could go in without having to go through you?

Is that basically what you are testifying to today?

Mr. **Regan**. That is correct, but I don't want to leave you with any kind of understanding that I was deliberately cut out. They did include me on most things so that I was aware, in general, of what plans and policies were.

Mr. **Cohen**. Let me go back just briefly and trace the history of this sale. I think in August you indicated, August of 1985, there was a discussion in the White House, upstairs in the President's private quarters; at that time as I recall your testimony before the Intelligence Committee, you indicated no decision had been made at that time.

Mr. **Regan**. That's right.

Mr. **Cohen**. And Bud McFarlane has since testified that the President spoke with him directly either in person or by phone giving him the go-ahead on the proposed plan.

I recall your testimony before the Intelligence Committee, you indicated that—and I think you confirmed that today—that President Reagan was upset when he found out that the Israelis had, in fact, gone forward, expressed that displeasure to Mr. McFarlane and asked him to convey it to the Israelis, but not go public with it; is that correct?

Mr. **Regan**. That is correct.

Mr. **Cohen**. I guess what is troubling to me is—and there are many implausibilities in this entire affair that we have been discussing for the past several months. But what doesn't seem plausible to me is that Bud McFarlane, who I don't regard as a man who takes great steps without authority, he is fairly cautious, to say the least, would deliberately ignore the President's directive to go slow and walk out and tell the Israelis to go forward and ship the TOWs and worry about the replenishment later.

Does that sound reasonable to you that he would do that?

Mr. **Regan**. I have never thought that McFarlane went out and told them to go ahead. My understanding was that they, as he described it to us, they went ahead in spite of what he had told them rather than with his knowledge.

Mr. **Cohen**. Does it sound reasonable or plausible to you knowing the Israelis that they would go forward and deplete—not deplete, but diminish their inventory of TOW missiles without some sort of a guarantee that they would, in fact, be replaced at a future time?

Mr. **Regan**. I can't answer that. I don't know what was in the minds of the Israelis. What I was looking for here in my notes, I have notes somewhere that the—John Poindexter in the November 10th meeting giving the background to everybody, in there described the fact that the Israelis had gone ahead without our permission.

This is Poindexter now, who is the deputy at the time the incident happened, describing it to the rest of us and saying the same thing.

So there was no Presidential knowledge, no Presidential consent. So the Israelis apparently took a chance that if they did something that pleased us, we would replace it.

Mr. **Cohen**. Now, was that the same notion that was held in November when you and the President were aware that a shipment of munitions were to go to the Iranians?

Mr. **Regan**. I suspect and I can't remember that exactly, Senator, but I suspect that if we knew in advance that much in advance of this happening, that we had either tacitly or openly had agreed that we would replace those missiles, the HAWK missiles for the Israelis.

Mr. **Cohen**. So by November, at least, there had been a change of attitude within the White House that the Israelis, acting without authority in August or September, were acting with your either approval or acquiescence—not yours, but the President's approval or acquiescence—in November, prior to the time that you were off to Geneva?

Mr. **Regan**. That's right.

Mr. **Cohen**. Now, you indicated you didn't see the December Finding that was drafted by Judge Sporkin that was signed by President Reagan.

Is it conceivable to you that if he signed a Finding, that the details of that Finding would not have been explained, in other words, what it was he was ratifying as far as past conduct was concerned on the part of the CIA?

Mr. **Regan**. I know of no other time when the President would have signed something without it having been explained to him.

Now, there are a lot of papers that came to the President—such and such a day, a proclamation day, all this type of stuff, that, you know, he really doesn't go into the detail of why am I signing national such and such a day. So he automatically signs, but there usually is on it some explanation of why.

I cannot explain why he signed the December 5th.

Mr. **Cohen**. I just want to clarify one point about your view in December, December 7th.

I think there has been some conflict in testimony—you clarified it, I believe, for the record—but when you testified before the House Select Committee about the December 1985 meeting you indicated, as you did here today, that you were opposed to the proposal and the words you used were "the thing had been a fiasco up to that point, it had not worked. We were dealing with some very unusual people who were fooling around for the better part of 6 months with very little results to show for it."

And then before the Tower Board you indicated that, on the same day, "December 7th: I won't deny it, I must say I favored it. I favored keeping the channel open, if necessary, to selling a modest amount of arms and so forth."

Then you had a chance to refresh your recollection, I believe, by looking at the President's notes?

Mr. **Regan**. The President told me—I didn't look at his notes.

The President told me when he was digging out his notes for the Tower Board, he said I came across the fact that George, Cap, and you, Don, were opposed to this.

Mr. **Cohen**. OK. So on December 7th——

Mr. **Regan**. Then later George Shultz told me the same thing, that his notes revealed that I was opposed to it.

Mr. COHEN. So on December 7th you were opposed for the reasons you articulated then and now, and then suddenly in the first week of January John Poindexter comes forward and says we have got a new plan and a whole new lead.

Did you or anyone else ask him who the new lead was or what it involved or what it was to persuade you to switch on January 7th?

Mr. REGAN. As I recall, on January 7th he did go into some detail as to what the new plan would be and that there would be a new cast of characters and that we would—I think he forecast—that we would be going inside Iran to make contacts within the country itself.

And that is what led me to change my mind about whether we should take another chance or not.

Mr. COHEN. I think you pointed out the irony involved. Apparently you were never told about the structure of how it was to be handled in terms of the shipment and the payment. No one told you about that?

Mr. REGAN. No.

Mr. COHEN. Your understanding was it would all be handled by agents working on behalf of the U.S. Government?

Mr. REGAN. Ah—yes.

Mr. COHEN. As to the Finding?

Mr. REGAN. Uh huh.

Mr. COHEN. And with your vast commercial experience, you know that people who are outside agents or independent agents don't work for free?

Mr. REGAN. That's true.

Mr. COHEN. You assumed that these would be people acting on our behalf?

Mr. REGAN. I didn't look into it in that much detail. I just thought they would be automatic military to military, and whoever handled these things in a military basis. I didn't know they were bringing civilians into it.

Mr. COHEN. Did you still think it was a bad idea that you indicated your approval of going forward?

Mr. REGAN. In retrospect, I think it was a horrible idea that we went forward with it a second time. I think we should have stayed out of it entirely.

Mr. COHEN. I think you indicated that in response to when Bud McFarlane said it was a mistake to sell arms, I think you were quoted as saying, "When you give lousy advice, you get lousy results."

Mr. REGAN. That's right.

Mr. COHEN. Did you feel that way on January 7th?

Mr. REGAN. On January 7 I thought we were getting good advice.

Mr. COHEN. Getting good advice—what had changed?

Mr. REGAN. Well, it's just that McFarlane was steamed up about this, enthusiastic, thought it was a new opening, that it was a wedge that we had to pry open that contact with Iran, and he thought it would succeed.

Mr. COHEN. Did you ever see the so-called notional time that was submitted by Lt. Col. North on January 24th, 1986?

Mr. REGAN. The what?

Mr. COHEN. The so-called notional time line.

Colonel North put together a notional time line on which he suggested that the Ayatollah Khomeini would retire on February 11, which was about 3 weeks——

Mr. **Regan**. No, I never saw that.

Mr. **Cohen**. The release of 50 Shiite prisoners in exchange for four Lebanese Jews, and the release of British and Italian hostages.

Mr. **Regan**. No, I never saw that.

Mr. **Cohen**. Would that have made a difference if you knew——

Mr. **Regan**. No.

Mr. **Cohen**.—that the arrangement was being added or burdened with those additional factors?

Mr. **Regan**. I don't think so. I don't think you could be that precise.

The state of our knowledge of what the Ayatollah was doing was then—as far as I know, still is—very imprecise. I don't know how anyone could have predicted that.

Mr. **Cohen**. The only point I'm making is these so-called notional time factors or time lines were not disclosed to you——

Mr. **Regan**. No.

Mr. **Cohen**.—or to the President, so far as you are aware?

Mr. **Regan**. Not to my knowledge.

Mr. **Cohen**. And John Poindexter never indicated to you that the price was going to be inflated some three or four hundred percent, not counting Mr. Ghorbanifar?

Mr. **Regan**. Never.

Mr. **Cohen**. The question that was raised earlier by counsel is that—I assume you were operating under the assumption that this could be cleared up as such with the hostages' released within a timeframe of 30 to 60 days?

Mr. **Regan**. That is absolutely correct.

Mr. **Cohen**. The operation was underway for about 10 full months and still the hostages hadn't been released. In fact, the first hostage came out, I believe, on July 26th, the next one was on November 2nd.

The question was raised to you this morning, given the fact that months had passed and we had not seen the release of all the hostages as was planned within 30 to 60 days, why weren't you down pounding on John Poindexter's desk or door saying what's going on, what's happening to the hostages, what are the details, who is involved, why aren't we making progress?

Mr. **Regan**. Good question. I don't know the answer.

Frankly I had enough on my own plate that—I was listening to what was going on, but I was more concerned about what was going on in other areas and I just didn't look into it.

Mr. **Cohen**. Well, it is clear that other matters took priority.

You mentioned the budget, you mentioned the tax cut plan that was before the Congress, and so attention——

Mr. **Regan**. And negotiations with the Soviets.

Mr. **Cohen**. So this just was left to Admiral Poindexter?

Mr. **Regan**. That's right. I won't say it was swept aside, but it certainly wasn't very high on the screen.

Mr. **Cohen**. When you were in Tokyo and Secretary Shultz came to talk to you and ask about Tiny Rowlands, you indicated your reaction to that. Tiny Rowlands—is his name synonymous with syndication?

Mr. **Regan**. Yes.

Mr. **Cohen**. Would you explain?

Mr. **Regan**. I won't say synonymous with, but at least it could be associated with it.

Mr. **Cohen**. What does that mean?

Mr. **Regan**. That you take shares in an enterprise—a group of people get together, share the risk.

Mr. **Cohen**. If he was one sharing the risks, there were others sharing the risk?

Mr. **Regan**. That's what it would seem to me. Why are they bringing in a British citizen here?

Mr. **Cohen**. Didn't any alarm bells go off within the administration saying, "If Tiny Rowlands is involved, who else is involved?"

Mr. **Regan**. That is what I told George Shultz, he ought to find out from Poindexter what is going on.

Mr. **Cohen**. George Shultz goes to Admiral Poindexter, and he says there is nothing to it?

Mr. **Regan**. I don't know what their conversation was.

Mr. **Cohen**. On July 26, 1986, Father Lawrence Jenco was released. I think again counsel tried to bring this out. When Bud McFarlane went on this very dangerous mission to Tehran, he was told "Bring all the hostages or come back," and he couldn't get all the hostages because the Iranians were—we will give them two now, we will give you two later. He pulled up and came back on a very controversial type of negotiation.

Then on July 26, Father Jenco was released, and, according to the Tower Report, the Americans feared that if they didn't respond positively, they risked the death of the hostages, is that correct?

Mr. **Regan**. That is what we were told.

Mr. **Cohen**. Did you play a part in the decision to then go forward and release the weapons to the Iranians?

Mr. **Regan**. I agree I offered no opposition. I won't say that I played a role in it, because it was more of a passive role. I sat, I heard, I listened. I said well yeah I'll go along with it.

Mr. **Cohen**. Here we have a situation where Mr. McFarlane rejected an offer for two and came back to Washington and then a short time later, we ended up giving all of the weapons for one hostage.

I guess the question is, in your own language, we sort of got taken down a Persian alley and got mugged. No one said anything about it. It is hard to understand why we were capitulating in this fashion, and no one seemed to be raising objections and pounding on people's doors saying, "This has got to stop now."

Mr. **Regan**. I think that people were upset, very disgusted with what was going on. The bait was still there, though, that we could save a life here, a life there. You weigh that sort of thing, and it is very hard to—with a degree of finality—say "to hell with it."

Mr. **Cohen**. When you say bait, you mean the hostages?

Mr. **Regan**. Yeah, definitely. That was the bait to get arms.

Mr. **Cohen**. And, as a matter of fact, were it not for the hostage issue, you would agree it is rather unlikely that the President ever would have agreed to sell weapons to the Iranians?

Mr. REGAN. I don't think he ever would have agreed, bona fides, or what have you.

Mr. COHEN. So from the very beginning, there is no question in anyone's mind, at least not yours, the hostages were in fact the driving force that kept holding this thing together?

Mr. REGAN. No. Not the driving force, but a force. Because the driving force was, and I believe still is, if this President doesn't make contact with Iran, the next one will certainly have to or his successor. We are going to have to make that contact.

Mr. COHEN. No one disputes that, but the fact is that it was the hostages that kept the issue alive. The President would have walked away from the table at any time from dealing with Ghorbanifar, or Khashoggi, or anyone else?

Mr. REGAN. Oh, yes. To that extent, sure. But, again, you have to ask yourself what is the job of the President of the United States? Should he turn his back on people like this? If he has a chance to get them out, should he do it? This President tried, it didn't work.

Mr. COHEN. Let me talk a moment about the diversion conversation you had with Mr. Casey, I think on November 24th, the evening. According to the House deposition, you indicate you did have a conversation. In the Senate deposition, I think you indicated you did not have a conversation about the diversion. Today you are indicating that you, in fact, had that conversation. You stated to the House that the Director did not express surprise or chagrin on being informed. And when Casey warned that the disclosure would endanger lives, we might be cut off for some time from contacts with Iran, that they would be enraged for being overcharged, he indicate that to you?

Mr. REGAN. Yes.

Mr. COHEN. Did that give you any indication that he was aware of the overcharging mechanism that was employed?

Mr. REGAN. I didn't analyze it at that point to be very frank with you, Senator. I had a lot of other things on my mind. I wasn't analyzing what Casey's role might have been.

Mr. COHEN. You testified that you went home over the weekend of November 22d and 23d of 1986 during the Attorney General's inquiry and didn't focus on the affair again until Monday when you came back, on November 24th?

Mr. REGAN. No. I focused on it. I was getting calls from various parts of my staff, things like this, what is going on. There were—I don't know who—but there were several people on the talk shows on Sunday, and I had been asked either by them or their intermediaries as to what my opinion is, what should they say about this, what should they say about that. So I was in general discussions, but I was in no way part—what I meant by that was I was no part of the investigation nor was I questioned.

Mr. COHEN. Did you call the White House yourself that day on Saturday?

Mr. REGAN. Probably.

Mr. COHEN. The phone logs indicated that you called Admiral Poindexter during his lunch with Director Casey and Colonel North. Do you recall what you discussed at that time?

Mr. REGAN. I suspect that I was asking him technical questions about how much could be said or would be said on these talk shows.

Mr. COHEN. Were you aware the admiral was having lunch at that point with Mr. Casey and Mr. North?

Mr. REGAN. No, I was not.

Mr. COHEN. You indicated earlier that the Secretary of State had the opportunity any time to go directly to the President. Secretary Shultz testified before this committee that there came a point in time in which he was quite agitated that the President wasn't getting the correct story, and that was during the November timeframe when Mrs. Thatcher was visiting, and that he asked you to set up a meeting with the President and that you indicated that that could not be done.

Why was that?

Mr. REGAN. Well, Mrs. Thatcher was leaving. He wanted to meet with the President then and there, or he wanted me to meet with the President actually. I was part of the motorcade, part of the—had a seat on the helicopter. I didn't want to miss it, and I told him, I said, "I don't think there is going to be time, George, I just can't do that."

So I didn't on that Saturday that Mrs. Thatcher was at Camp David.

Mr. COHEN. But as a result of his not having some access during that timeframe, the President then held a press conference in which he made a statement that would prove to be inaccurate?

Mr. REGAN. The Secretary of State, while I was Chief of Staff, had 99 meetings with the President of the United States. He could have had more if he needed them. He usually had them alone.

Finally, after all of this affair started, after the first of December of '86, he asked me to sit in. He realized that I was not participating in these things and had been cut out. There was ample time for the Secretary of State to make his views known to the President of the United States, in my judgment. He was never shut out of seeing the President.

Mr. COHEN. Except at that time when he felt—

Mr. REGAN. He wanted me to go. It wasn't a time for himself with the President. He wanted me to tell the President about his concerns. I said, "I can't do that now." I did discuss it with the President the following Monday.

Mr. COHEN. After Admiral Poindexter—after Attorney General Meese talked to you that morning?

Mr. REGAN. Yes.

Mr. COHEN. You indicated before there is a Wall Street term of NPH, "no profit here," but then you added lightly that a 600 percent markup might be another way to balance the budget. I was wondering, because it raises the question about the whole diversion issue. What is wrong, from your point of view, having told Colonel North to help get arms to the Iranians, having directed Colonel North to get munitions and money to the Contras, what is wrong in your mind with combining the two and killing two birds with one stone? Why did you react with horror to that?

Mr. REGAN. Well, this is a major decision that having, as we thought, agreed to sell arms, and the normal practice when the

United States sells arms to any nation is to sell them at our cost. As far as I know, we don't sell to make a profit. We might, but we don't.

And this, in my judgment, was an unauthorized action on the part of Colonel North to make a markup without consulting his superiors.

Mr. COHEN. He did consult Admiral Poindexter?

Mr. REGAN. Well——

Mr. COHEN. Admiral Poindexter has testified clearly before this committee that he in fact——

Mr. REGAN. Then it was an unauthorized act on both of their parts.

Mr. COHEN. Yes.

Mr. REGAN. Because certainly I think the President of the United States should have been contacted on that one, or the Secretary of Defense, certainly, have been alerted that this type of thing was going on.

Mr. COHEN. Well, that is one of the other questions that I think all of us have, that John Poindexter has a reputation of—not of someone who takes bold leaps or engages in any sort of "Kissingerian"—if I can use that phrase—ingenuity, but rather straightforward, by the book. His whole history has been absolute chain of command.

How could he have been so wrong in this case to have presumed that the President would have authorized such a major decision on his part?

Mr. REGAN. I notice that he testified that way before this committee or these committees. I would dispute that.

I don't think the President of the United States would have condoned this had he known about it. I don't think that he would have said, "Yes, let's go, mark this stuff up and divert the money to the Contras." I don't think he would have participated in that. I know I wouldn't have.

That whole idea would have been, you know, very, very much contrary to the Ronald Reagan that I knew.

Mr. COHEN. OK. I think you also indicated this morning that you knew about the shipment of HAWKs in November of '85, both you and President Reagan knew about that shipment, but decided the year following to try and put a cover story on it by labeling it oil-drilling equipment.

The question I have is, how would that protect the hostages since you were prepared to disclose in the January 17 Finding or a Finding in January that the United States had in fact been dealing with Iranian moderates, so called, in order to establish a new relationship and secure the release of the hostages? Why would you feel that a cover story would in any way preserve the lives of the hostages when you were going to put out a story that indicated we had approved the sale of weapons as of January of '86?

Mr. REGAN. Well, quite obviously, the sale of weapons was not a U.S. policy. This was an exception being made to policy for what I thought was a good and sufficient reason—that is, to try to establish a relationship with this Iranian group which would lead to the end of terrorism and perhaps the return of the hostages.

That being the case, if it were disclosed in the public media that there were some shipments of goods, quote, unquote, from the United States to Iran, we naturally for state-craft purposes would have said we think that was oil-drilling equipment.

Mr. COHEN. But what about when it came to disclosing what we were doing in January? January 17? That was part of a story that was going to come out, wasn't it?

Mr. REGAN. January 17 of '86?

Mr. COHEN. Right.

Mr. REGAN. We weren't preparing then to release very much information, because we did not make that Finding known even to the Congress that we were going to go ahead on that.

Mr. COHEN. We are sorely aware of that.

Mr. REGAN. I understand that.

I won't say mea culpa, but I will say that from the idea of our having a cover story, that was designed for that specific transaction, not for a general cover.

Mr. COHEN. Was there going to be another cover story for the rest of the activities?

Mr. REGAN. I don't recall that we ever got to a point where we needed one.

Mr. COHEN. I think you also indicated earlier that the one thing you learned from lawyers—I assume you have a friend or a counsel sitting behind you—is only answer the question that's put to you and don't volunteer. Is there anything I haven't asked you that you would like to volunteer?

Mr. REGAN. In the interests of time, I'll say no.

Mr. COHEN. Well, Mr. Regan, I've heard that you are writing a book. That's something I recommend to everybody if they can.

Mr. REGAN. I've read yours. It was excellent.

Mr. COHEN. Thank you.

Is there anything we are going to find in that book that we haven't heard about on this committee?

Mr. REGAN. Not about Iran.

Mr. COHEN. Or the Contras?

Mr. REGAN. Or the Contras.

Mr. COHEN. All right. Well, Mr. Regan, thank you very much.

I recall reading a book a number of years ago in which there was a line—it was a novel. It said, "Everything here is plausible because nothing here is real." And I think that from my experience on this committee, I find much of what I hear is implausible; perhaps I'll come to the conclusion because that—because it was real.

Thank you very much, Mr. Chairman.

Chairman INOUYE. Senator, you have 3 minutes remaining.

Mr. COHEN. I'll reserve that if I could.

Chairman INOUYE. Thank you very much, Mr. Regan.

We will stand in recess until 2:00 p.m.

[Whereupon, at 12:00 noon, the Select Committees recessed, to reconvene at 2:00 p.m., the same day.]

AFTERNOON SESSION

The Select Committees met, pursuant to recess, at 2:00 p.m., in room 325, Russell Senate Office Building, Hon. Daniel K. Inouye (chairman of the Senate Select Committee) and Hon. Lee H. Hamilton (chairman of the House Select Committee) presiding.

Chairman INOUYE. The hearing will please come to order.

Before proceeding, I would like to advise members of the panel and staff that the official photograph of this joint committee will be taken at the adjournment of today's proceedings, so I hope that you can remain. Otherwise, you will not appear in this historic picture.

The Chair now recognizes Chairman Brooks for 30 minutes.

Mr. BROOKS. Thank you, Mr. Chairman.

I want to say starting out that I am delighted to be discussing these issues with a man who has the ability to tell the truth and doesn't need immunity to come down and stand up and talk to Members of Congress and the American people.

I noticed too some people who take immunity do not necessarily tell the truth.

But, Mr. Secretary, over the past several months of these hearings, we have been looking at the Iran-Contra affair largely in terms of how foreign policy formulation and implementation went wrong, what steps can be taken to correct the shortcomings that have been uncovered, and as Chief of Staff in the White House for virtually the entire period during which these events took place, you were in a prime spot to witness the events even if you didn't necessarily participate in all of them.

And I wondered if you could tell me in your judgment why the President rejected the advice of his senior counselors in the area of foreign affairs, Secretary Weinberger of Defense, Secretary Shultz, and even either the objection or unenthusiastic support of yourself and Mr. Meese, all of whom had been with the President almost the entire period of his presidency. And yet he rejected your advice and he took the advice of his National Security Adviser, who had been in that office for only 6 weeks and embarked on this cockamamy scheme to ship missiles directly from U.S. stocks to the terrorists in Iran in January of 1986.

Mr. REGAN. Mr. Brooks, I think that the President honestly wanted to improve relations with Iran. You will recall that for a period up to 1985 of some 6 years we had no relationships with that country. We were but one of about six countries that did not have relationships with Iran.

The President has always looked at the perimeter of the Soviet Union in order to see what we could or should be doing in the way of cultivating those nations to make certain that we were friendly with them.

He knew also that in Afghanistan we certainly could use support from Iran from both sides of Afghanistan.

We were unable to do this since we had no relationships with them. And I think the President honestly wanted that. And there is no use denying that the President also had a major concern for the lives of these hostages and did want to get the hostages back, and I think time and time again he returned to that theme, that, well, if we can get an opening to there and if these people have some type of control over the kidnappers, let's keep trying to do it.

Mr. BROOKS. Now, Secretary Shultz testified before the committee last week that several times he offered his resignation to the

President, in part because of the guerrilla warfare being waged against him from his opponents, he said, within the administration.

One example, he said that somebody he described as "a character named Jonathan Miller" began denying the Secretary's request for air transport which had previously been furnished on a regular basis, routinely, to the Secretary from the Air Force out at Andrews.

Are you familiar with this allegation?

Mr. REGAN. Yes.

Let me tell you about that, Mr. Brooks, if I may. I think this is a bit overblown at this point. I think it is kind of a bureaucratic infighting. You have had a lot more experience in government than I, but I think you probably have seen a lot more of this.

Let's face it, there is a thing called a Presidential mission. For those who may not understand it, I know you do, but let me explain what a Presidential mission is.

That is a designation of somebody going on a trip to a foreign country. When you have a Presidential mission, you are entitled to military aircraft and all expenses paid by the Department of Defense to the White House account.

On the other hand, if you have to travel for the U.S. Government, it is not a Presidential mission, the money is charged against your budget.

I used to be Secretary of the Treasury, I know how to play this game. You are always trying to get the President to designate you as a Presidential mission so it doesn't hit your travel budget.

There were many times that the State Department types, not necessarily Secretary Shultz, but State Department types, that were trying to get a trip designated as a Presidential mission.

When I became chief of staff, one of the things that I told the President's Assistant for administration was, "Be strict with these Cabinet officers, don't let them get away with this designation. Make them heel the line. Let them go to Congress for their budget," and we did.

Now, how the Secretary of State would come to know a rather obscure, retiring Special Assistant to the President for administration, I wouldn't know. But I suspect that this had to be over one of those quarrels.

I tried to find out what specifically did we ever refuse George Shultz. To my knowledge, he never personally called me and said, "Hey, Don, I am not getting a plane. What is with this?"

So it had to be bureaucratic infighting. We never would deny the Secretary of State the right to travel. It is just a question of who would pay for it, his budget or ours, and that is what the fight was all about.

Mr. BROOKS. Now, a number of aspects of this affair are matters with which you have had more direct involvement, those affecting White House operations, and I would like to direct some questions to you on the operation of the management matters.

You may be aware of the Presidential Records Act of 1978?

Mr. REGAN. Vaguely, yes, sir.

Mr. BROOKS. Requirements for the management of documentary materials of the President and his immediate staff, that's what it provides for.

Mr. Regan. Yes, sir.

Mr. Brooks. And the Act defines Presidential records as materials that are created or received by the President, his immediate staff or a unit or individual of the Executive office of the President whose function is to advise and assist the President.

Now, does the NSC staff fit this description of who is covered by the Act?

Mr. Regan. It would in my judgment.

Mr. Brooks. And were you responsible for overseeing compliance with the Presidential Records Act?

Mr. Regan. For the White House in general, yes.

Mr. Brooks. And as to the NSC staff specifically, was their compliance with the Presidential Records Act under the control of the Chief of Staff, yourself?

Mr. Regan. No, sir, it was under the National Security Adviser. He was separate and distinct in that capacity from me.

Mr. Brooks. So he was responsible for those records?

Mr. Regan. Yes, sir.

Mr. Brooks. Now, Admiral Poindexter has testified that on November 21 of '86 he destroyed a document that would clearly fit the definition of a Presidential record, the Covert Action Finding signed by the President in December of 1985, relating to the transfer of weapons to Iran in exchange for the release of the hostages.

Now, Admiral Poindexter said that he did this in order to spare the President political embarrassment, a reason that I don't believe is listed in the Act as a permissible basis for disposing of Presidential records, and this morning you testified that a staff secretary was supposed to record all papers with the Presidential signature even though the NSC might be the custodian of the papers when they went in and out of the President's office.

Now, would this process also apply to recording references to Presidential approval or disapproval of memos or other documents that might be indicated by a check mark or initials?

Mr. Regan. They should be, yes, sir.

Mr. Brooks. The record would include those?

Mr. Regan. Yes, sir.

Mr. Brooks. How was Admiral Poindexter able to get his hands on this document and destroy it?

Mr. Regan. Whenever there was what is called an NSDD, that's a National Security Directive from the President directing that something be done, these were top secret things, because they would relate perhaps to covert action, perhaps to how foreign policy would be conducted vis-a-vis another country. Very sensitive type of documents. So they would be put in a special safe in safe keeping in the National Security Adviser's area of the White House.

Mr. Brooks. How did he get it out of there? Did he sign out for it? You just go pick it up? Does he have a combination to it?

Mr. Regan. That I cannot tell you how that record was actually kept by him, but I would assume that he must have had a person in charge of that who would sign things in and out.

Mr. Brooks. Could it have been Commander Thompson, do you recall?

Mr. **Regan**. Commander Thompson was a legal officer assigned to the staff. Whether he was custodian of the documents, I do not know.

Mr. **Brooks**. Now, Colonel North testified that over a period of days or weeks he was able to destroy, alter, or remove a large number of documents, many of which certainly might have been Presidential records under the Act's definition, and these acts included the alteration and removal of sensitive System IV documents, and the testimony was corroborated by his very attractive assistant, Fawn Hall, and others.

Now, what I want to know is, if Colonel North testified truthfully, how was he able to engage in all of this without being detected?

Mr. **Regan**. I don't believe that Colonel North would have had original Presidential signed documents, or shouldn't have had them in his possession. If they were original signed Presidential documents, they should have been in a special safe apart from that. Copies of that might have been with him. Drafts leading up to that final document might have been with him. Work papers might have been with him, but the final document should never have been with him.

Mr. **Brooks**. Are there any administrative safeguards in place to prevent the staff from destroying documents such as these regardless of their administrative historical information or evidentiary value?

Mr. **Regan**. Once they are logged into the proper area of the White House and the custodian function exercised, yes, there are many safeguards against their being destroyed.

Mr. **Brooks**. Mr. Regan, Mr. Secretary, in your deposition and in your testimony this morning you indicated that at the time this affair began to unravel, you were a strong advocate of making everything public, getting it out quickly. You made that very clear to the President and anybody that could hear you, I'm sure.

Did it ever occur to you during that 5 or 6 days Attorney General Meese was undertaking his inquiry that disputes between two factions were proceeding as to whether or not to go, whether they should go public or not, while you were arguing about that, and that discussion was going on from, what, November 6——

Mr. **Regan**. Fifth.

Mr. **Brooks**. —fifth to roughly November 24 or something like that.

Mr. **Regan**. Twenty-fifth before we went public.

Mr. **Brooks**. While that was going on, hundreds of documents were being destroyed right there in the West Wing in the Old Executive Office Building. Did it ever occur to you that they might be cleaning up that record?

Mr. **Regan**. No, sir, it didn't occur to me that men of that caliber would be destroying documents or trying to, as you put it, clean up the record.

I didn't think the record needed cleaning. I thought all we had to do was get out the facts. It wasn't until after the press conference and Shultz pointing out inconsistencies that I began to see that there were, there was knowledge here of things around me that I didn't know about, and therefore something was amiss.

Now, the day after that, November 21, is the day that the Attorney General asked the President for permission to get on a fact-finding investigation, to get all the facts straight. So all of that happened within a very short period. But in that time zone between, let's say, November 5th and the press conference on the 19th, that two-week period, it did not occur to me that people would be destroying documents.

Mr. BROOKS. Colonel North, Mr. Secretary, has said that CIA Director Casey was aware of the diversion of arms sales funds to the Contras and other covert activities during '86 but, according to White House notes, according to Attorney General Meese, Casey denied any knowledge of the diversion as late as November 25th of 1986.

Do you believe that Director Casey had knowledge of the diversion prior to November of '86?

Mr. REGAN. I honestly cannot answer that question for you, Mr. Brooks.

Mr. Casey never told me of any knowledge of it on his part, nor did he tell me that he didn't have any knowledge of it. So—because I never discussed it with him.

The only time we talked about diversion on the night of February—not February—November 24, he did not mention that he had any previous knowledge.

Mr. BROOKS. Now, we have heard some testimony that contributors to the Contras who were brought in by Spitz Channell and others were allowed to meet with the President in the White House.

How was that access to the President for occasions such as these arranged? Who controlled the in and out? How did that work out?

Mr. REGAN. There is a normal procedure for that. Application is made to a special assistant to the President, by the name of Fred Ryan, who keeps the book, as it were, on Presidential engagements, groups wanting to meet with the President, individuals wanting to meet with the President. He looks into the initial request, gets more data on it.

We had—I don't know what they do now, but we used to have a meeting about once a week, maybe 10 days, a list of further meetings of the President for a coming 10-day or 20-or 30-day period and would carefully schedule these things in.

If it were a group that were unknown to us, we would ask for more information, or it had to have a sponsor, quote, unquote, "sponsor" meaning someone in the White House complex who is familiar with the details of the group and why that group should be singled out vis-a-vis another group.

In this particular case, as I recall, Dave Fischer, who had been the President's very close personal aide, was the one who interceded for the group.

In addition, Contra supporters, of course, were the particular area of interest of the Director of Communications in the White House, Pat Buchanan, who was constantly urging that the President do more work in educating people as to the Contras and what they stood for and so on.

So it was a combination of those two things that led to the meeting of these people in the Roosevelt Room.

I don't want to leave the impression in your mind that this was a meeting in the Oval Office with the President. It wasn't. A group of people brought into the Roosevelt Room, maybe 15 or 20, for perhaps 45 minutes, perhaps an hour—there would be discussions, perhaps by Buchanan, perhaps by others, and including Lt. Col. North, who would describe the situation.

At some point in time on the schedule, the President would come in for 5 minutes, do a stand-up, talk to these people, thank them for what they were doing—seldom, if ever, took questions—left the room at the end of the period.

Occasionally—I only remember two or three of these, and I think on one of them there was a photo session in which they lined up and had their picture taken with the President.

Mr. BROOKS. Was the President told why he was meeting with those people?

Mr. REGAN. Yes.

Mr. BROOKS. Who told him?

Mr. REGAN. I would say probably I did, as a result of information furnished to me as to the purpose of the, you know, the 2:00 meeting or 3:00 meeting, whatever it was.

Mr. BROOKS. You mentioned Dave Fischer. He was a former personal assistant—personnel assistant to the President?

Mr. REGAN. Personal assistant.

Mr. BROOKS. He reportedly had an agreement with the Channell-Miller fundraisers whereby he got a set fee of $50,000 for every visit with the President he was able to arrange.

Were you aware of any such arrangement?

Mr. REGAN. No. That's a real embarrassment to me personally, as well as to others on the White House staff, to find out about that, that Fischer was being paid to arrange those.

We thought he was doing it out of his concerns for the Contras and the goodness of his heart, a pro bono public type of thing. To find out he was being paid for it was a real shock.

We tried to avoid that. That's one thing we tried—anyone getting paid to get a group into the White House, we tried to block that.

Mr. BROOKS. It was not a—how did you describe that transaction in New York?

Mr. REGAN. NPH? Oh, no, the bait and switch? Possibly. That doesn't happen just in New York, by the way.

Mr. BROOKS. No.

Mr. REGAN. I don't want to get Mayor Koch down on me.

Mr. BROOKS. I want to tell you just one little—in east Texas they have one of those phrases that you might appreciate, it is called CIF.

Mr. REGAN. What's that?

Mr. BOOKS. It means cash in fist.

But back to our business here, Mr. Secretary, are you familiar with this man named Martin Aritano?

Mr. REGAN. Never met him, don't know who he is.

Mr. BROOKS. The *New York Times* this morning said Fischer arranged seven meetings in the White House between the President and wealthy donors for a retainer of 20,000 a month and split those proceeds with Mr. Artiano.

Mr. **Regan**. I read the story this morning, but I have no knowledge of who this man is or absolutely no knowledge of the arrangements.

Mr. **Brooks**. On a related matter, Colonel North and Albert Hakim, a distinguished statesman from abroad, you have heard about him, he is the one that worked up the Hakim Accord where instead of getting seven hostages, we were going to get one-and-a-half, they were going to cut one in half I guess, and then we were going to release those 17 terrorists that Kuwait was holding——

Well, they both testified that, along with General Secord, they conducted a midnight tour of the White House for representatives of the Iranian second channel with whom they were negotiating.

Now, were you aware of this access to the most sensitive reaches of the White House, in the West Wing, by a group including somebody that didn't have a security clearance, somebody that had been denied a security clearance, somebody who was officially branded as a terrorist? And yet they are wandering around in the White House? Did you know anything about that?

Mr. **Regan**. Not at the time it happened.

Mr. **Brooks**. How did it happen? How could it happen? How did they get past the guards?

Mr. **Regan**. I certainly looked into it after I read the story.

Colonel North had the privilege, as do many White House staffers, of being able to invite people into the West Wing providing they are cleared in advance, to take a tour of the West Wing, not the White House, the West Wing, after hours, after everybody has left. When the President leaves the Oval Office, because of these tours, and there are hundreds of people go through on these tours in the course of a week, the door of the—the main door of the Oval Office is left open, a guard is posted there, and a rope is up to prevent anyone from going in.

Apparently North arranged through this uniform division of the Secret Service that he be permitted to take a couple of his people, acquaintances or however he described them, through on this tour. So what they did, they visited that first floor of the West Wing, the tour around the Roosevelt Room, past the offices, Chief of Staff, you know the thing, the Oval Office, Cabinet room, and out. There was no visit to the Presidential quarters or the White House itself.

Mr. **Brooks**. Colonel North was given special privileges that other staff members are not accorded?

Mr. **Regan**. No, other staff members could get them. The unusual part about that is it was so late in the evening, but in a period, let's say, between 7:00 and 8:00 o'clock, that is permitted, as long as there are not too many of these people and they are accompanied by a White House staffer. They may make that circular tour of the West Wing.

Mr. **Brooks**. And you are responsible for controlling access in the West Wing? Are you the responsible—were you then the responsible official?

Mr. **Regan**. Yes, that came under me.

Mr. **Brooks**. Now, Mr. Secretary, according to testimony we have already heard, it was decided on Monday, November 24 and Tuesday, the 25th by you and General Meese and the President that

Colonel North should be fired from the NSC staff, Admiral Poindexter should be allowed to resign as adviser, as a result of their role in the diversion of profits from the Iran arms sales.

Now, these steps were taken with such haste on the morning of November 25th that Colonel North apparently said he learned he had been fired from a TV broadcast. That is the new method that they use down there?

Mr. REGAN. It is one method. There are other ways to learn it.

Mr. BROOKS. When they send Carlucci to visit to tell you its bad news?

Mr. REGAN. No. I found out the same way. I don't know what his problem is.

Mr. BROOKS. You don't seem very sympathetic.

Mr. REGAN. Well, what's sauce for the goose.

Let me explain that one about Colonel North. I think I did it this morning, but I will repeat it again.

It was my recommendation to the President and to the Secretary of Defense and to the acting head of the National Security—the acting National Security Adviser that Colonel North should be not fired, reassigned back to the Marine Corps for further assignment. He obviously had done something that was unauthorized. We didn't know the dimensions of it then.

We had some knowledge, but not the complete knowledge that we now have.

It seemed to me to have such a person remaining at his post at that same desk and the like wouldn't be prudent at all.

You can imagine the criticism we would have had had Colonel North stayed on as many have suggested or Admiral Poindexter stayed on in view of this.

Now, I think we did the right thing. Cap Weinberger did make certain that the Marine Corps recalled Colonel North from the billet with the National Security Council back to headquarters.

He is still a Marine colonel. He was not fired in that sense of the word. He wasn't without a job.

Mr. BROOKS. Still on the payroll?

Mr. REGAN. Yes.

Mr. BROOKS. Admiral Poindexter and Colonel North were moved so quickly that there wasn't any time to get additional information from them about their knowledge of that Iran arms sale and diversion to the Contras, aside from the rather hurried inquiry—superficial inquiry, in my opinion—that the Attorney General had undertaken over the previous weekend.

My question is, on Monday and Tuesday, was there any discussion among high-level officials, that I had mentioned, about getting additional information from these two key officials? Did they talk about talking to them? Getting a statement before they left the White House? And wouldn't a good, clean statement by them as to the fact situation have eliminated several months of this hearing and these problems?

Mr. REGAN. In hindsight, that might have been appropriate. But you have go to remember that at that time, our interest was in making this information public to Congress, to the American people. We didn't have that much time to sit down to go through an interrogation of suspects.

As you know, even the Tower Commission with 90 days of work didn't come up with all of the facts that this committee has been able to assemble.

I have heard more than one member of this committee give an opinion that we may never know the whole story anyway. It is very difficult to do that.

I am not copping a plea here. I am only explaining. You have two choices here: do it fast or take your time, get all the information and then come out with it.

We chose the thing of let's get as much information out as we have. Remember that the President had told the Attorney General, conduct a criminal investigation.

The Tower Commission—I talked to John Tower on the afternoon of the 25th, to Ed Muskie and to Brent Scowcroft. They all agreed right away and we announced the Tower Commission on the 26th.

We were able to get that out very quickly as a three-man committee promised to go to work right away.

We felt confident that the story would be there and regardless of whether the President personally cross-examined Poindexter or not, well, very frankly, that was one of those things that in the—at the moment it seemed better to do it the way we did it rather than a separate way.

Mr. Brooks. Do you think, Mr. Secretary, that it was primarily the aftermath of the Iran-arms-Contra scandal that precipitated your early retirement about 3 months later?

Mr. Regan. Yes. I think it was a direct cause of that.

Mr. Brooks. Colonel North has been characterized by some as a national hero for having carried off this scheme to divert funds from the Iranian arms sales to the Contras which he apparently did without the knowledge or approval of the President, according to the testimony of you and others.

Do you, as a former Marine with extensive overseas duty in World War II, consider Colonel North to be a national hero for coming up with this neat idea?

Mr. Regan. Well, let me put it this way: I admire the colonel's enthusiasm, his ingenuity, his—obviously I am very impressed by the courage he has shown previously on the battlefield and in his previous assignments.

My question, however, at not recognizing him as a real hero, is insofar as I think he might have asked permission or shared with us his plan rather than to put it into effect in an unauthorized way and have this outcome. Perhaps had more of us thought about it in a longer period of time, this wouldn't have happened and would have obviated the necessity for our being here today.

Mr. Brooks. Are you concerned or disappointed or possibly angry about the damage that his and Admiral Poindexter's activities caused you and the administration, the anguish that all of us have shared in the last——

Mr. Regan. Oh, there were momentary frustrations on my part, yes. But at my age, and background, you learn to live with these things. So I bear them no ill will at this point.

Mr. Brooks. I want to say I appreciate visiting with you today. I think you have been a candid witness, refreshingly so.

Thank you, Mr. Chairman.

I reserve the balance of my time.

Mr. **Regan**. Thank you, sir.

Chairman **Hamilton**. The gentleman from Texas has used all of his time. You've timed it very well.

The Chair recognizes Mr. Courter for 30 minutes.

Mr. **Courter**. Thank you, Mr. Chairman.

Mr. Regan, good afternoon. Pleasure to see you again.

Mr. **Regan**. Good afternoon.

Mr. **Courter**. I think it's quite really extraordinary that we have these hearings. We are talking about the innermost conversations that occurred in the White House. Not only decisions made by the President, but conversations between the President and his most confidential advisers, all the while that we have a sitting President. I think it's quite remarkable, and I think we should be very proud of the fact that these hearings are being held in public, and I really deeply believe they are doing a great deal of good.

In comparison, of course, you have the Soviet model, and I remember very well that Yuri Andropov when he was the head of the Soviet Union, he passed away, and during his funeral we found out for the very first time that he was married and he had a wife. The western world wasn't even privy to that fairly basic information.

And I did have a chance to read both your depositions from, I think, March and then later on in the year given to attorneys both on the Senate and House side of this committee. It struck me, and I would, just out of curiosity as much as anything else, have you mention it today. There was, I believe, on November 24th, the day that you spoke with Mr. Casey, Director of the CIA, advised him that there was a diversion and you had a short 20-minute conversation with him in Yardley. It's my understanding that you received a telephone call from the President's wife?

Mr. **Regan**. Yes, I did.

Mr. **Courter**. Can—what—was that a significant call? Was it important?

Mr. **Regan**. I wasn't able to answer it. It happened as I was on my way to Langley. I promised to return the call after I got home, which I did. I don't think it was significant to this hearing.

Mr. **Courter**. Was there anything that was said with respect to changing personnel inside the White House?

Mr. **Regan**. I believe that at that point in time, the President had probably told his wife of what had happened and she asked me what we were going to do with it. And I told her that it would be my recommendation that Poindexter resign.

Mr. **Courter**. Was that basically the extent of the conversation?

Mr. **Regan**. Yes. We did not discuss North.

Mr. **Courter**. The—ah—it was—

Mr. **Regan**. There were other things in the conversation, but they don't relate to this.

Mr. **Courter**. I will not go into them now.

There was reports this past week—and you probably read them as well—and I think they are very distressing, probably to the President when he read them, that he was involved in a coverup of this information and that he was counseling as well as Mr. Meese or Mr. Casey that there be no public disclosure whatsoever of these events, that we basically wall-off the White House. That was basically the tenor that I got from the articles that I read.

I have heard your testimony. I heard the testimony of other people. It seems to be contrary to that particular story.

Then, I would like, if I may, refer you to exhibit No. 41A, which is your contemporaneous notes. If you would find page 11 of your contemporaneous notes that you wrote in your own handwriting relative to the President's conversations on the issue of getting some information out.

I would just wonder whether you would very quickly, on page 11—you will have a better opportunity of translating your writing than I—if you would just read what you find there on page 11 and then indicate to the committee and before the American people whether that is a fair characterization of the President's thrust in his statement.

Mr. Regan. It starts on the previous page, the last sentence: "John Poindexter." I'm reporting here what each person was saying, or at least the gist of it.

"If we go with this, we would end our Iranian contacts."

"DTR"—that's me: "Must get a statement out now. We are being attacked and we are being hurt. Losing credibility."

"JP"—that's Poindexter: "No statement needed. News has peaked. No hearings until January, so should not say anything."

Mr. Courter. That was Poindexter?

Mr. Regan. That was Poindexter.

"President: Must say something because I'm being held out to dry. Have not dealt with terrorists. Don't know who they are. This is long-range Iranian policy. No further speculation or answers so as not to endanger hostages. If we want to pay any money or give anything to terrorists.

"JP: We"—what the President said is, "we won't pay any money or give anything to terrorists."

"JP"—that's Poindexter: "Say less about what we are doing, more about what we are not doing."

Mr. Courter. I thank you very much.

Your testimony then is that the President's position was consistent with yours, that the story had broken, and we had to get it out to the American people?

Mr. Regan. He wanted to say something, but how much he could say he obviously didn't know, but he did recognize that we had to say something; but you can see throughout this that Poindexter was counseling the opposite because of the danger to the hostages.

Mr. Courter. Now, the President also was sensitive to the hostages, was he not?

Mr. Regan. Oh, yes.

Mr. Courter. Was that the reason that he indicated that he wanted to say something but not all the particulars?

Mr. Regan. Well, the reason that he didn't want to say everything was because of the hostages. He wanted to say something just to answer the questions that were being raised in the minds of Congressmen and the public by these disclosures.

Mr. Courter. Mr. Regan, there has been testimony by Oliver North that he advised and talked to Director Casey about the diversion of proceeds from Iran to Central America, and that the Director thought it was a neat idea to proceed.

There has been testimony by Ed Meese, the Attorney General, that he had a conversation with Director Casey and Casey indicated that he was unaware of the diversion.

You had a conversation, I believe, on the evening of the 24th when you drove by and you advised him. Did he indicate to you that that was the first time he heard about it?

Mr. REGAN. He did not say one way or the other whether he knew of the diversion or didn't know of the diversion. As I explained earlier this morning, he heard me out as to, you know, the extent of what Meese had told the President. I briefed it. I didn't give him everything, but in brief what had happened.

Then he gave me the downside. Do you know what you're risking by going public with all of this?

Mr. COURTER. When he gave you the downside, was he advocating, as was Admiral Poindexter, nondisclosure or was he just making sure that you knew all the facts or all the possible ramifications of disclosure?

Mr. REGAN. I would say in retrospect that he was advocating, but it was a biased type of advocacy. In other words, he was showing me that there would be some real danger if we persisted in this. In other words, he was leaning toward trying to advise not to do it, leaning that way but not actually saying it.

Mr. COURTER. My feeling would be that you were very persuasive because apparently the next morning when he had a conversation with Ed Meese, he came around to your point of view, and my recollection of Ed Meese's testimony was by that following morning, he was articulating the need to release it because of the political damage to the President?

Mr. REGAN. Well, I think anyone in that position, particularly as learned a man and as experienced a man as Bill Casey, reviewing in his mind the pros and cons of the situation, would have to come down and say, you know, you cannot keep this any longer. You have got to go public with it.

Mr. COURTER. It was a wise decision.

You indicated that the demeanor of Bill Casey being almost, if not expressionless—I mean, I know the man as well. Sometimes his outward manifestations would not reveal what was going on inside. But how would you compare his demeanor when you told him about the diversion with the President's demeanor when he was advised about the diversion?

Mr. REGAN. Well, I characterize Casey as being, what, stolid, phlegmatic, or unreadable; whereas the President visibly was shook by this and recoiled when he heard it, every manifestation of surprise and horror at what he had just heard.

Mr. COURTER. Your feeling at that particular time was that he grasped the significance, political and otherwise?

Mr. REGAN. Oh, yes. He looked like a guy that had really been punched in the stomach.

Mr. COURTER. I have heard that expression before.

There has been a conversation by others, and you touched on it earlier this morning, that some chronologies were made without your authorization. We know from prior testimony that some of those chronologies were placed in different forms. The testimony was that it wasn't an opportunity to change the events but just to have a more accurate read on what took place. They were trying to patch things together.

Would you know—besides that, would you ever suspect or know of a reason why—what was the motive behind the change in the chronologies? Could you explain that, if you know?

Mr. REGAN. I don't know why this was taking place and why they had so much difficulty. It would be a wild guess on my part because I didn't participate. You have heard from these witnesses, the ones who are actually changing the chronology, and trying to put it together, and I suppose that their reason was that they still wanted to have some type of nondisclosure of the fact that we had been dealing arms for hostages, perhaps out of still having that latent fear of if there is complete disclosure, we may further endanger the hostages.

Mr. COURTER. Mr. Regan, I was just handed—this is something I was trying to find before to be more specific. If I could now back up to the first couple of questions, with your permission. One of the lead stories of the past couple of days that came out July 27th, the opening paragraph leads with the following partial sentence, and I am going to ask you whether—I know the answer, I believe—accurately portrays or conveys your impressions of the President when he was advised of the diversion.

"President Reagan actively led the initial effort last November to conceal the essential details of a secret arms-for-hostages program and to keep it alive after the first disclosures threatened to blow it up."

Is that accurate?

Mr. REGAN. No. That is not accurate at all. I would say that is a complete false reading of what the President was actually saying. I think if you look at my notes, which are more detailed, on the November 10th meeting, it gives a different impression of what the President was actually saying.

Mr. COURTER. There was obviously a turnaround in the administration, and perhaps with yourself as well, between December, 1985 and January, 1986 on the issue of dealing with elements in Iran, and I have heard it, and I have heard some explanations, but I wonder whether there is—and I don't know the answer to the question, which is a legitimate question, what the real reason was. Do you suspect—we have heard about Israel, their involvement and conversations with them, the use of proceeds from the sale with Israel for other projects, second sources of information inside Iran.

Do you know why the remarkable new life in this particular proposal that occurred during that 3 or 4 week period?

Mr. REGAN. I don't know all of the reasons why. I can speculate, and this I admit is with 20/20 hindsight and probably an attorney would tell me, "Don't bother," but anyway, let me have at it.

I suspect that those—that a lot of this was plotting by arms dealers to involve the United States in massive arms transfer to Iran. I suspect that they conjured up the second plan when they found that the first plan had fizzled and was no longer operative. They saw an opportunity here and wanted to keep it alive.

I think at the same time our own people had become so involved in trying to extricate these hostages and not wanting to fail that they didn't see how they were being misled by these arms dealers, and as a result, they were led down this garden path, and we ended up where we were. It was sold to us on the basis of this is a brand new idea, and it will lead to better relationships with Iran. We will get a chance to talk to higher-ups to people really inside the country. We may be able to send some people in there. It is worth doing. It was a very enthusiastic presentation.

Mr. **Courter**. It seems to me that some of the people inside the administration wanted the results of that initiative that they didn't look at the means carefully enough. And correct me if I am wrong, it strikes me, after sitting for weeks in this testimony, that different people in the administration and outside the administration had different reasons for the continued operation in Iran.

It seems to me that Bill Casey was very concerned about compromising sources and methods. He was very concerned about William Buckley. The President was very concerned about the strategic consequences of an Iranian Government which was friendly to the Soviet Union and the warm-water ports. There were some private entrepreneurs that wanted money. There was North and others that thought those things, but perhaps also thought of a way to help the Contras in Central America. It seemed that different people had different reasons to see this go forward. Is that a possibility?

Mr. **Regan**. I think it is a probability. I think you have enumerated most of the motives that were operating in this particular affair.

Mr. **Courter**. Did President Reagan know—and this has to do with the HAWK shipment from Israel to Iran—did the President know about, to your knowledge, the CIA involvement or cooperation with that?

Mr. **Regan**. No. At least in my presence, it was never told to the President that the CIA in any way was responsible for any part of that transaction.

Mr. **Courter**. If it was told to the President and people like yourself that the CIA might have been involved, what would that have required, in your opinion—a Finding?

Mr. **Regan**. Oh, yes, definitely.

Mr. **Courter**. Directing your attention to the issue of management of the White House, if you will—and I think it is good that you are given your opportunity to talk about your side of the story, and I think I am going to give you that opportunity, if I may—it seems to me everybody must have been so sensitive to the risks of the Iranian weapons sale, it was a classic, extraordinary gains/extraordinary risks type of an operation on balance.

The President decided to go forward with it. The one thing that is extraordinary to me is the length of it. It seems to me in a high risk/high gain venture, what you want to do is compress the time, keep it 30 to 60 days. If you are successful, that's wonderful—if you are not, you cut your losses, as you say. You sell short, sell long, whatever they do on Wall Street. You go home and lick your wounds.

Mr. **Regan**. Get out.

Mr. COURTER. You get out.

And therefore it seems to me there should have been some flags or mileposts along the way. The thing kept going on and on and on.

I am just wondering whether you or anybody else had discussed the fact that, you know, we haven't noticed the Congress for 3 months now, it's 9 months now, it's 10 months, and that is bothersome, or we have to take a fresh look at this operation.

Did it have nine lives? Why wasn't there those managerial mileposts to an operation that had such an extraordinary downside?

Mr. REGAN. That is a very valid point.

I think what has happened is that we went in it initially for a short period of time. Once we had gotten into it, it was the old promises, promises. We kept hearing that, you know, in another week, in another 2 weeks. Sort of "the check is in the mail" type of thing.

As a result, there was no definitive date—July 4th, let's have a complete review of this.

Then our attention went elsewhere. As soon as we knew in late August of the forthcoming meeting with the General Secretary, our attention literally focused there, and most of us, with the probable exception of the national security staff, simply turned our thoughts on disarmament and the intricate questions of what are we going to do, short-range and long-range missiles, that type of thing.

As you know, those are very perplexing questions and took an enormous amount of time. I think we just simply didn't look at this and let it stew for too long a period.

Mr. COURTER. Is that one of, I suppose, the lessons learned out of all of this?

Mr. REGAN. Oh, it has to be. Very definitely.

Mr. COURTER. Directing your attention to exhibit 22, if you would, it is the now infamous diversion memorandum which at one time was characterized as a smoking gun, and now either a cap gun or really nothing at all.

You said something either this morning or in your depositions—I am not sure—that intrigued me. You indicated, and of course, the record here before us, the testimony before us, is that the President did not see that memorandum; in fact, he was not briefed about the diversion at all.

We have gone into that time and time again. I think everybody believes that.

Mr. REGAN. What exhibit are we on?

Mr. COURTER. It's exhibit—I think it's exhibit 22.

Mr. REGAN. Twenty-two?

Mr. COURTER. Is that the diversion memo?

You indicated, Mr. Regan, that that wasn't the character of the type of a document that would land on the President's desk.

In other words, I just want to put the last nail in the coffin here and let you explain that statement, if you would.

Mr. REGAN. This, quite obviously, is a workpaper that should have had an overlay on it, a "from-to" type of overlay. On the overlay it should have indicated to the President whether he wanted to approve or disapprove of it, and then if he were going to approve of it, to have an approval written out exactly what he is approving.

This thing here is much too loose. It is not in the proper form.

Mr. Courter. Is it also—it strikes me—and I have never worked in the White House, but it strikes me as rather verbose and detailed for a President of the United States.

Would you also characterize it as that?

Mr. Regan. Yes. This would be cut back before it went to the President. It is much too long for an executive summary.

Mr. Courter. You testified, Mr. Regan, that although you had a great deal to do with who saw the President, there were certain people that did have access to the President without checking with you. And, of course, there were times people got an appointment through you but saw then the President alone or without your presence.

Did you indicate that Mr. Casey had private meetings with the President of the United States?

Mr. Regan. Mr. Casey did have private meetings on occasion with the President of the United States, but did not have the privilege or right to go in on his own.

Mr. Courter. How about Admiral Poindexter, did he have the right to go in on his own and/or did he have private meetings with the President?

Mr. Regan. He had the right to do it and he exercised it.

Mr. Courter. How about the Secretary of State, George Shultz?

Mr. Regan. Yes, he could go in on his own.

Mr. Courter. To your knowledge, did Director Casey and Admiral Poindexter ever go in to the President together alone, without anybody else, to your knowledge?

Mr. Regan. I have no recollection of that at this time. I can check the record to see, but I have no record of that.

Mr. Courter. If that were the case, would the records reflect that?

Mr. Regan. They should, because normally, even though there are times when the President's schedule does not reflect everybody with whom he talks in the course of a day, there is a private record of that kept for historical purposes, and that record, I believe, has been made available to this committee and should reflect that.

Mr. Courter. So that recordkeeping is done at the White House. In other words, it is a real time type of a record.

Mr. Regan. Yes.

Mr. Courter. Directing your attention to Colonel North again, it's been testified by Lt. Col. North that it was kind of common knowledge among most people of his activities in certain areas and he was also, if not specifically referring to Central America, indirectly referring to that as one of his activities; that was common knowledge around the White House and in the administration.

He went so far as to say that the Secretary of State went up to him and congratulated him on his work—specifics were not mentioned, but Oliver North took that as his work with respect to the Democratic Resistance in Central America.

That Elliott Abrams testified or I don't know whether he did, but I guess Oliver North testified that when Elliott Abrams had to get the body of an American back from Central America because of the Hasenfus flight that went down, he called Oliver North to get the job done.

Was it, in your opinion, common knowledge that Oliver North was spending extraordinary amounts of energy and coordinating work with the Resistance in Central America?

Mr. REGAN. I think those White House staffers who thought about it—not many thought about, you know, exactly who is doing what—but when asked what does Ollie North do over there—well, he is in charge of various details, and I think Central America would have been thought of as one of his areas, yes.

Mr. COURTER. Admiral Poindexter testified that when he was on a plane trip with the President of the United States, he came very close to telling the President about the diversion, because the President of the United States at that particular time, showing his frustration about the lack of wisdom in this body, the Congress, in giving support to the democrats in Central America, made the statement, John, can't we do something unilaterally.

Did you hear or—ever hear the President say something like that or words to that effect?

Mr. REGAN. I don't recall that. I may have been present, but I don't recall that, no.

Mr. COURTER. Did the President feel very strongly about the Democratic Resistance?

Mr. REGAN. Very strongly.

Mr. COURTER. What was his major articulation on that? What were his major concerns?

Mr. REGAN. Well, the major concern is the fact that here are a group of people, part of a government that we, the United States, helped establish. We overthrew the Somoza government, and these people were part of that government. Then, as one part of the Government went more communist, these people broke off.

He thought it only right that we should continue to support them because they were the type of government that originally the United States had agreed to support.

He couldn't understand, still doesn't understand, why his point of view was so obscure both to the nation and to some parts—some parts of the nation and to some Members of Congress.

He feels very strongly that we should not allow another bastion of communism to be established a few hundred miles from our borders.

All I'll say is he has said on more than one occasion he will do everything he can to drive that government out of there.

Mr. COURTER. I assume you concurred in his opinion?

Mr. REGAN. Certainly.

Mr. COURTER. Secretary Shultz testified about his inability to get on planes, and you had an opportunity to set the record straight or give your opinion on that.

Mr. REGAN. I prefer the former.

Mr. COURTER. I'll accept the former.

Maybe you can set the record straight on another matter, as well.

Secretary Shultz indicated that the President makes—and this is just the beginning of the question, this isn't the question—makes good decisions when he gets good advice, and part of the problem here was the fact that the President was not getting uncooked advice, he was not getting dispassionate intelligence, he was—

Shultz saying he didn't have access to the President at critical times, number one, and that the advice given to the President by the intelligence community, including Admiral Poindexter, was slanted, was not accurate, and given the proper and accurate information, the President would have made the proper and accurate decision.

The question is: did Secretary Shultz ever come to you and talk about the problem with the CIA cooking intelligence or slanting it or Poindexter not giving accurate information?

It seems to me that you would be the one he would be concerned about and would talk to, if, in fact, he was concerned at that time.

Mr. REGAN. I never received that feeling from him in those words.

There are natural tensions that exist in the various parts of our foreign policy/Department of Defense/intelligence areas. This is not unique to the Reagan administration, if you go back and read about what happened in other administrations. The State Department, the Defense Department, the intelligence agencies are constantly interpreting, re-interpreting; some have one opinion, some have another opinion of the same set of facts or similar set of facts.

When there are these tensions, when there are these disagreements, it's the job of the National Security Adviser to try to pull the various ones together and, if they are going to remain as separate opinions, present all of these to the President.

Incidentially, for that purpose, they have a luncheon—I don't know whether anyone has testified about this—but there has been a luncheon set up all the time that I was there as Chief of Staff. They had the use of the family dining room on the main floor of the White House every Friday for a meeting of the Secretary of State, Secretary of Defense, Director of Central Intelligence and the National Security Adviser, and just the four of them—no assistants, no aides, no one else—to go over these common problems.

So when I would get gripes from one or the other, I would say, well, for God's sake, you know, settle it at your luncheon, that's what the purpose of your luncheon is; the President is in no position to know who is correct here; get the facts straight among yourselves; if you need a decision, then bring it to him.

Now, as far as Shultz was concerned, he did most of his complaining to me about the misuse of information in the latter days of this affair, from the time of the TV speech and the press conference on, until it was finally decided in the first week of December to turn the whole matter over to the State Department, and they now run our Iranian policy.

Mr. COURTER. I see that my time is just about up.

I would like to ask you just two other very quick questions.

Number one, you indicated that at the NSPG—National Security Planning Group—meetings that were weekly affairs, that you thought that a gentleman across the table was taking notes, and when you found out they were really action items you didn't take notes, no one else took notes.

Do you think notes should have been taken?

Mr. REGAN. No, that's not correct. I said at the morning meetings, at the 9:30 meetings, the Presidential briefings, I thought notes were being taken, only to find out they were not. At NSPG meetings notes are taken, and I think you have copies of all of the NSPG meetings. There definitely should be notes of that meeting.

Mr. **Courter**. Should they be taken in the morning meetings?

Mr. **Regan**. I have since advised Frank Carlucci that certainly there should be a notetaker present, in view of what has happened here—when did the President—when was he told and what was he told.

Mr. **Courter**. Thank you very much, Mr. Regan.

Thank you, Mr. Chairman.

Chairman **Inouye**. We will now begin our ten-minute round, and I call upon Senator Trible.

Mr. **Trible**. Thank you, Mr. Chairman.

Mr. Regan, welcome. I want to thank you for your testimony today, for your candor and wit. I must tell you on this 39th day of public hearings, both are much appreciated by this Senator, and I know by my colleagues as well.

Before your years of service in Washington, you had a very distinguished career on Wall Street, you are an expert on money matters, financial management, accountability, and it is in that regard that I would like to pose a question. I have been very interested in pursuing the money trail throughout these activities, because I think it tells us a lot about people and events.

I personally have been dismayed at the haphazard, almost nonexistent financial management and oversight and control over these huge sums of moneys involved in the Iran-Contra affair. Normally, as you well know, when the CIA undertakes a covert activity or DOD an arms sale, there is very strict financial oversight to protect our national interest, and that is clearly the case in the private sector as well when you structure an ongoing enterprise.

Now, from the testimony of the key players, the following facts have been established with regard to this financial enterprise: John Poindexter says he did not believe in micromanaging and left all financial matters to Oliver North and Richard Secord. Oliver North said he left the management control of finances to Richard Secord, a man he trusted. Colonel North testified he was shocked to find there was $8 million left in Secord's accounts at a time when the Contras desperately needed help.

Now, Richard Secord, in turn, said the money belongs to Hakim, and finally Albert Hakim remarkably, candidly said he loves his adopted country, and he was in it for the money.

Now, in short, in summary, John Poindexter said it was Oliver North's responsibility, Oliver North said financial matters were entrusted to Richard Secord, Richard Secord said the money was Albert Hakim's, and Albert Hakim admits to being a player for profit.

My question: Is this any way to conduct a business, especially the people's business?

Mr. **Regan**. Just asking the question gets the answer. The answer is absolutely not. In the first place, I guess again this is hindsight, but I don't think the National Security Adviser or his staff should run an operation. If they are going to run an operation, and this is permitted by the Congress, then I think they should have full accountability, the same as the CIA, Department of Defense or anyone else for what is going on. Had that been done, there would have been a financial officer attached to this who would have seen that the bills were paid and moneys received.

Obviously, that wasn't done. I don't believe that Federal funds should be turned over to private citizens, particularly when these are acquisitive private citizens. Accordingly, the thing had to be financially mishandled from start to finish.

Granted, you know, I am second guessing the whole operation, when you do have a covert operation, naturally you have to keep the financial side of it secret also, but nevertheless, there was no excuse for this lax handling of money.

Mr. TRIBLE. Well, I thank you, Mr. Secretary, and Mr. Chief of Staff, Mr. Regan.

Let me simply say that your testimony in the broad brush tracks that of Secretary Shultz's and the Attorney General. Each of you, in your own way, have underscored that not only were you and the President not fully consulted on the activities of the National Security staff but indeed were kept in the dark. Excluding the President and his principal advisers, avoiding established procedures, circumventing proper oversight and checks and balances resulted in ill-conceived policy and unwise decisions by the NSC staff. Ultimately those initiatives failed at great cost to the President and to our country.

The central lesson of all this is that policy pursued in this fashion is bound to fail, and I hope that we can learn that lesson and many others along with it through the ordeal of these hearings so we can avoid these kinds of problems in the future.

I appreciate your testimony. Your appearance here today demonstrates that there is life after Washington, and——

Mr. REGAN. It is called Alexandria, VA.

Mr. TRIBLE. That Potomac is mighty wide, is it not?

Mr. REGAN. It is.

Mr. TRIBLE. Thank God for Virginia.

I am losing control now. Mr. Secretary, I just want to point out that it is nice to know that there is life after Congress or life after the White House, because that is especially reassuring to each of us on this panel.

Mr. REGAN. I hope you don't find out about it too soon.

Mr. TRIBLE. I agree. I am with you. I am with you. I do want to thank you for your testimony, but I also want to thank you for your years of service. It is not an easy task to serve in the White House, and I thank you for your service, and I thank you for being here today, and I wish you and Ann well.

Mr. REGAN. Thank you.

Mr. TRIBLE. Thank you, Mr. Chairman.

Chairman. HAMILTON. Mr. Cheney.

Mr. CHENEY. Thank you, Mr. Chairman.

Mr. Regan, I will be very brief. I would like to join my colleagues in thanking you for your testimony. It has been very helpful to the committee. I know a great many Americans would join with us in thanking you for your years of service and wishing you well in the years ahead.

In a belief that these sessions should end at a reasonable hour, in the hope of starting a trend among my colleagues, I am going to yield back the balance of my time.

Mr. **Regan**. From one Chief of Staff or a former Chief of Staff to another, thanks.

Mr. **Cheney**. Yes sir.

Chairman. **Hamilton**. Mr. Fascell.

Mr. **Fascell**. Mr. Chairman, I wish I could be as gracious, but I have been stimulated by some of the things I have heard with such candor and wit. Will somebody take this down to the—I am afraid it would never get there.

Mr. Regan, the reason I brought that up is because in answer to one of Mr. Courter's questions, you said, "Yes, I got a call from the First Lady, but it wasn't really very significant." I just—but it is interesting because it seemed to be rather significant as I read your deposition, and I wanted to get your own remarks there to you. It says, "Did you speak to the First Lady that night," meaning after you had been out to Bill Casey that evening, that is on the 24th, and you said "Yes."

"What did she have to tell you?

"She was very upset at the news apparently her husband had told her and, or the complication that heads would have to roll.

"Do you recall how she told you that, what she said?

"I can't recall the specifics, but that was the thing, there would have to be a housecleaning of people that had let Ronnie down. I seemed to have the impression that mine was one of the heads that would have to roll.

"What gave you that impression?

"Well, when people talked about a thorough housecleaning, starting at the top, one gets the impression that one may be considered.

"Did she mention Oliver North or John Poindexter in that housecleaning?

"She didn't mention North, she may have mentioned Poindexter.

"Did you tell her that steps were already taken or going to be taken?

"Yes. That was one of the things I was doing was working fast and furiously to try to get this information out and to have an investigation and let the facts come out."

That is as far as I am going to read. My comment simply is, Mr. Regan, you certainly have mellowed with time, and as a matter of fact, it was so fast and remarkable in just a couple of short weeks, I would recommend you some way to some winery somewhere to make wonderful wine.

Mr. **Regan**. I am not sure I get the point.

Mr. **Fascell**. That is a compliment, Mr. Regan.

Mr. **Regan**. Oh, it is? OK. I will take it as such.

Mr. **Fascell**. Would you turn to page 64 in your—well, no, it's exhibit 64 in your book. Just take a look at that. It is a memorandum from David Fischer to you, dated January 5, 1986. You have answered part of this, but I just want to pursue it a little bit.

That memorandum and the attached documents, including a January 10 memo to you from David Chew, is very thorough. It seems to——

Mr. **Regan**. David Fischer.

Mr. **Fascell**. Yes, sir.

Mr. **Regan**. I thought you said David Chew.

Mr. **Fascell**. Well, both, because on the tail end of that is a note from David Chew after the television ads. It says, "Attached is the material that Dave Fischer promised to get to you. I'm discussing with the NSC and they're onboard, and supportive," et cetera. "How about arranging for a briefing in the Roosevelt Room," et cetera. That's Chew, I gather, to you, and then that's attached to a memorandum from Fischer to you. Right?

Mr. **Regan**. That's correct, sir.

Mr. **Fascell**. But the point is there, you read that and you get the idea all these persons who are coming in, potential contributors, supporters or whatever, were going to be given the red carpet treatment, as you already testified, they would get the briefing, the North treatment and whoever else, and then whenever—when it was possible, the President would drop in for 5 minutes and people would be motivated.

As a matter of fact, back in the bunker at NSC about that same period of time, North was sending out letters to these people, and I'm not saying anything was bad about this, I'm just saying this is what happened, and many of these people did contribute both for whatever, the Contras or ads for the newspaper or television spots, et cetera. And they hired public relation experts out of this money and a lot of money was raised.

The question is, did you tell the President what this was all about, this whole operation?

Mr. **Regan**. I think I probably would have given him about 3 or 4 minutes' briefing just prior to his going into this meeting.

Mr. **Fascell**. So he would know what he was standing up for?

Mr. **Regan**. Exactly.

Mr. **Fascell**. All right. Did you know that the American Conservative Trust was a Federal political action committee, that is, a PAC, not a tax-exempt organization?

Mr. **Regan**. No, I did not know that.

Mr. **Fascell**. And they are shown on those sample ads that were sent to you, television ads, in support of the effort, they're shown as the persons who paid for the ad and the credit line.

Do you have any idea what was done with the money after it was raised?

Mr. **Regan**. No, I do not.

Mr. **Fascell**. Now, according to the guest list for that Roosevelt Room meeting, there were 19 potential contributors present, some of them accompanied by their wives, and during the next 5 months, 16 of those 19 contributed over $4 million to Spitz Channell's organizations, Mr. Regan.

Nearly $3 million of that was transferred to IBC, it was Gomez and Miller organization, $2.5 million of which was passed on to bank accounts in the Cayman Islands; over $800,000 went to Goodman—that's the ad agency—for TV spots; and several hundred thousand dollars went to various lobbyists and public relations specialists who were "educating the Congress"—I'll put that in quotes. And $90,000 went to an outfit called Prodemca to run newspaper ads.

So, you know, this is a pretty successful event when you look at it in terms of per capita. I don't think either political party could do that well. So it was a pretty good punch.

But this money that was raised went for the Contras, wound up in bank accounts in Switzerland and the Cayman Islands, ran newspaper ads. It was part of an overall operation. And the question I'm asking you is—that's pretty big. So I have two questions.

One, in light of all these facts, don't you think it would be more appropriate if that was done some place else? After all, you know, let's face it, you're using the President as a very important prop in this whole operation; you're using the White House itself, and it probably would be more appropriate to do it somewhere else, don't you think?

Mr. **Regan**. Well, again, we are talking with the benefit of hindsight.

Mr. **Fascell**. Agreed.

Mr. **Regan**. At the time here, if you will notice the memo that was given to me, it is described as an organization that's already spent in excess of $3 million in supporting the President's programs. It is also described as an organization that has budgeted $3 million more for educating public opinion on the issue of aid to the Contras.

Mr. **Fascell**. Well, they did a good job. I'm not arguing the fact.

Mr. **Regan**. What I'm saying is that it did look like people trying to support something that the President believed in. There are many such organizations. We utilize that, as you're well aware. In times of the tax bill or trade bill or many other things, there are such organizations who will support the President's point of view who are brought into the White House for that purpose.

We were under the impression that this was such—that type of organization, that it was legitimate, on the up and up, and the purpose would be non-lethal. So that's why we agreed to it.

Mr. **Fascell**. Well, it is hard to say whatever happened to it, the money in terms of when it got into those accounts over which Colonel North had control. It's hard to say whether it was lethal or non-lethal. Nevertheless, I can understand the politics of it. I mean it's legitimate politics; you go out and raise money and try to support your cause, and they even try to defeat the Congressmen. This organization took credit for going into 32 out of 39 districts and delivering the votes of those Congressmen. I think that's a slight exaggeration, don't you?

Mr. **Regan**. I would agree.

Mr. **Fascell**. Now, who ran the operation for you in the White House?

Mr. **Regan**. Well, this came in initially, as I said earlier, to Fred Ryan, who is the scheduler. I asked for more information on it. The memoranda was supplied by David Fischer, whom I knew as a man who was close to the President. The signoff there, as you can see in the memorandum, the overleaf or—that you described from David Chew said that NSC, he was checking with to make sure they were supportive, so if NSC agreed, if our own people agreed, that's the checking we did, and then we went ahead with it.

Mr. **Fascell**. Now, this also included a very strong legislative effort with the Congress, so I'm not quite clear who had the responsibility in the White House for that. You mentioned Pat Buchanan?

Mr. Regan. Well, he is in communications, or was in communications. And Public Liaison reported to him. Public Liaison would have been the group that would have met these people as a public organization. The actual legislative effort was run by a Presidential assistant by the name of Will Ball, who had the actual responsibility for carrying the legislation.

Mr. Fascell. Thank you, Mr. Regan.

Chairman **Inouye.** Chairman Boren.

Mr. Boren. Thank you very much, Mr. Chairman.

Mr. Regan, I want to join the others in thanking you for your testimony and the candor of it. I think it has been very helpful to all of us to have the facts in the very clear way that you have presented them to us.

I would like to look forward for just a minute in thinking about what we can do in the future, and I think this is a very important part of the responsibility of this committee and all of us. What can we do in the future to help avoid situations like this and to build the kind of constructive partnership between the Congress and the White House that we need, particularly in the foreign policy area?

Mr. Regan. I have been giving this a lot of thought, Senator Boren, as I have had time to think in recent months. The more I think about it, the more I think that on the legislation side, certain things can be done, and on the executive side, more can be done.

As I look at it, I would shoot, if I were you, towards some type of temporary arrangement between the current White House staff and the current Congress, looking forward to the 101st Congress and the new President in January of 1989, regardless of party. Whoever it is, he is going to have the same problems that this President had and this President's predecessors had.

At times there will be need for covert operations. There never will be a time, at least in my judgment, when we can say we will never have a covert operation. You have to have a covert operation occasionally. When you do, there are certain selected few, in my judgment, from the legislative area who should know of this. Who they are, I leave that to you. My suggestion would be that it is kept as a very small, select number of leaders.

Mr. Boren. Like the group of eight, for example, something of that nature?

Mr. Regan. Something of that nature. Who would be told. And there should be, let's say, a two-week period mandated in which they must be told within that two-week period.

Mr. Boren. So that we don't have open-ended the idea of what timely notice would be?

Mr. Regan. That's right. But on the other hand, it isn't that either before he does something or immediately after, in the heat of making judgmental decisions upon what's happening in that covert operation, the President has to turn around and get to the Congress, give them a little wiggle room, if you will, in there. But have that specified.

But I certainly think that some type of arrangement could be worked out between the two branches of government to lessen these tensions.

Mr. Boren. I appreciate your comments, and in fact these kinds of conversations are going on now with those at the White House, and I hope that very soon we will have something to show for that kind of consultation.

As you look back on the decision made on the diversion of funds by Admiral Poindexter, you have expressed yourself about the inappropriate nature of anyone other than the President taking on the power to make that decision. Is there anything that we could do in terms of establishing a fail-safe device, looking back on your experience in the White House, to make sure that that kind of decision of great importance could not be taken without the President being notified, could not be indeed implemented? Because here we had a decision taken without the President's knowledge, according to both the President and Admiral Poindexter. The President has made it clear it is a decision he would not have made had he been informed of it, he would have rejected it, and yet it happened that it was implemented.

Is there anything in the terms of a fail-safe device, either strengthening reporting from the NSC to the Chief of Staff, or anything mechanically that you can think of that could be done to avoid that kind of situation from developing in the future?

Mr. REGAN. The obvious temptation would be for me to say, have the National Security Adviser report to the President through the Chief of Staff, but I don't say that. I do think what can be done here is whenever a covert operation is contemplated or is in being, that there is another person in the White House who should be part of the scheme, and that is the President's counsel.

In this case, the President's counsel was kept entirely out of any legal opinion about this. He was not asked about, does the NSC come under the Boland, or any of the Boland Amendments? Does the NSC have the right to be operational? He was never brought into this.

I tried to bring the White House counsel into this, first Fred Fielding and later Peter Wallison, and in both cases was rejected by the National Security Adviser, that that is not necessary, we have our own legal opinion, we are getting it from the Attorney General, we are getting it from our own in-house.

I understand that Mr. Carlucci has beefed up the legal staff within the NSC. In my judgment, that's still not enough. I think it should be, the President should be urged to insist that his own counsel be brought into these matters, because it's been my experience that a lawyer will at least point out where the pitfalls are.

If the policymakers decide to go with it, so be it, but he would be there to do that and if he finds there is a covert operation, it would be required that he should follow up on it to make certain that all necessary laws are being observed, et cetera, et cetera.

Mr. BOREN. I think that is an excellent suggestion. Let me ask maybe taking it one step further.

In addition to having the standard practice where the President would say now where is the advice of the White House counsel on this matter as he is looking at anything of a very controversial nature, especially from a legal point of view, would you also give the counsel the right to, let us say, if he thought he noticed an unusual amount of activity or heard reports, let us say, that Admiral Poindexter or his associates like Colonel North were undertaking something, that he would have the right to ask them about their activities so that he could pass legal advice?

Mr. **Regan**. I don't want to get into micromanaging the White House. I had a shot at that once. I would say that that might be a suggestion you would give to them.

I wouldn't want to see it made part of law or mandate or anything of that nature. But certainly it is part of—I would suggest it as part of the reform that you—I believe—should put into your report.

Mr. **Boren**. In regard to the role of Congress, would you agree that if we had the appropriate kind of oversight setting and mutual trust on both sides, with the feeling you could have a truly candid discussion without that discussion becoming public in an inappropriate way, that that also could help the President?

You were in charge of making sure that the President got the best possible advice, wide-ranging advice on a number of issues as Chief of Staff.

Would you feel that could also be a help to the President if he—that he could benefit from the candid advice if oversight committees are told of matters that are underway?

We have had many cases where that has happened. We have had some cases where we have written back to the President, for example.

The President has heeded comments we have made or he has modified things as a result.

Do you think there is a positive role, not just a negative oversight role, but a positive role with confidential advice that the oversight process can provide?

Mr. **Regan**. I think there is a role for the Congress to play on these operations. I don't think it is the role of a nanny. And, you know, a constantly micromanaging affair.

Mr. **Boren**. I agree.

Mr. **Regan**. When you get into these things, I know from personal experience, it does gets irksome to have people on the outside, whether in the administration or in the Congress, telling you how to run something when they don't have all of the facts.

I think the advice of wise heads in Congress about a covert operation is something the President should take advantage of; that he should be able to consult.

But I can tell you this also, that there are many times when a President probably wants to do something and all the advice of Congress would be don't do it. And then if he deliberately turns his back on it and says, "In spite of all your advice, I am going to do it," that isn't going to help relations between the Congress and the President.

Mr. **Boren**. We know there are those situations.

Mr. **Regan**. You have got to watch which way you go.

Mr. **Boren**. There certainly has to be a balance between 535 people trying to be Commander in Chief and Secretary of State, and second guessing everything down to the detail and giving appropriate advice and having appropriate consultation.

I think your comments and suggestions are very good ones and very helpful to us.

Thank you, Mr. Chairman.

Chairman **Inouye**. The hearing will stand in recess for 10 minutes.

[Recess.]

Chairman **Inouye**. The hearing will please come to order.

I would like to announce that a vote is now pending in the U.S. Senate and this will be the reason for the absence of all Senate Members, but I'll be around, sir.

I would like to now recognize Congressman Broomfield for 10 minutes.

Mr. **Broomfield**. Thank you, Mr. Chairman.

Mr. Regan, you certainly have been a very impressive witness. Your candor, wit, and humor has been a very refreshing addition to these hearings. I might say all without an attorney by your side.

You are to be commended.

I have heard you mention your involvement in the formation of the Tower Review Board. I feel that the Tower Board served two key functions: to get the facts of the Iran-Contra matter before the American people within a short time, and to critique the performance of the National Security Council.

My questions to you, Mr. Regan, are these: can you elaborate on how the Tower Board was formed? And what was your role and what the role of the President was in this formation of this board?

Mr. **Regan**. As quickly as I heard from the Attorney General that there had been a diversion of funds from this Iranian arms sale to the Contras, I realized that this was going to require a major investigation.

The three of us were sitting there in the Oval Office. The President was asking more detailed questions of Ed Meese. My thoughts were on well, how do we get to the bottom of this? What do we do?

The parallel that occurred to me right away was that the very tragic Challenger disaster. I had suggested to the President that he should have his own body investigate that, that although NASA wanted to investigate and probably could have done a good job, still to be believable, it had to be an independent group, and we formed the Rogers Commission.

I am not sure that my relations with my former good friend and golfing partner Bill Rogers will ever be the same as a result of that, but nevertheless, I think he did an excellent job.

Mr. **Broomfield**. A great individual.

Mr. **Regan**. But it occurred to me that this group was going to have to work rather quickly. So that night, the night of November 24th, I thought long and hard about what to do. Came in the next day, discussed it with staff and put forth my idea that it should be a small, select group. Recognized that it had to be bipartisan. It would have to obviously include former members of the legislative branch.

I thought of a jurist. We went through many things as to who should we get and it finally occurred to us that John Tower was by far the best person and was available since he had submitted his resignation as our negotiator in Geneva. The thought—I came up with Ed Muskie's name myself. I have known Ed for years. Knew of his outstanding record as the Secretary of State, as a U.S. Senator, as a distinguished governor. Felt he would be a person that the—at least the Democratic side of the aisle would say we had selected a good person to represent the—that side.

And the third one, of course, Brent Scowcroft, was a natural. Not only a major general in the armed forces, but also a former National Security Adviser. He had the expertise.

We did not approach anyone else, by the way.

Those were the first three and all three of them, as good Americans, said if the President needs me and wants me, I will do it, although each one of them had his own personal affairs that he had to put aside for this.

I asked that they try to make a report—this is the initial discussions with them—by the time that Congress returned in the third or fourth week of January. I gave that as a timeframe. They all agreed to it.

In the meantime, I had gone through their names, obviously with the President and he had signed off on all three of them as choices. Called them. They agreed.

We announced it the following day, the 26th.

Mr. **Broomfield**. You have testified, Mr. Regan, that you heard or were told that in case of a breach in security over the Iran arms initiative, reference to oil-drilling equipment would be a cover story.

Who told you to use the oil-drilling story as a cover, and when did you learn of the need for a cover story?

Mr. **Regan**. I believe it was told to me in Geneva by Bud McFarlane at the time he was describing, as I called it, an intricate maneuver involving those 80 TOWs.

Mr. **Broomfield**. What sort of access to the President did Lt. Col. North have?

Mr. **Regan**. I have checked this very carefully in view of what has transpired. Lt. Col. North, according to records furnished to me at the time while I was Chief of Staff, was at 28 meetings with the President, none of which was one-on-one, all of which involved more than two people. These were normally either meetings of the NSC itself or were meetings where he was addressing a group and the President came into the group or he was with somebody who had been brought in to brief the President on something.

He never had a one-on-one meeting with the President.

Mr. **Broomfield**. How well did you know Colonel North?

Mr. **Regan**. Reasonably well. Again, from a professional point of view. I liked the man, and from what I knew of his—the work he was doing, he was doing a very good job for the President.

Mr. **Broomfield**. He made a tremendous impression here, as you well know.

Mr. **Regan**. I understand that.

Mr. **Broomfield**. And there have been many articles written about corporate people that said, "By golly, if we could get an Oliver North, we would like him."

Is that your opinion, too?

Mr. **Regan**. As what?

Mr. **Broomfield**. Well, as a man—as an active person?

Mr. **Regan**. I wouldn't mind serving with Oliver North or serving under Oliver North in the Marine Corps. He would make a great leader. I wouldn't mind having an Oliver North on my staff. But an Oliver North that was a little more under control, shall we say?

Mr. **Broomfield**. I want to ask you a question dealing with the National Security Council that has troubled me for a long time. Because like Dante Fascell here and I, we have been here a few years. We have served through many administrations.

It seems like over the years there has always been a major problem between the National Security Adviser and the Secretary of State.

Now, I am—would be very interested in your opinion: does this have to be changed? Have the National Security Adviser tied in with the Secretary of State? Or would you still prefer the independent counselor, having him as an independent counsel and adviser to the President?

Mr. **Regan**. At one time, we had that, I believe. Henry Kissinger was simultaneously for a period of a few months the Secretary of State and National Security Adviser. I think it is better handled separately, that is that there be a separate National Security Adviser to pull together the varying views which inevitably there will be in the area of foreign policy.

Someone has to act as executive secretary, executive secretary to bring the groups together formally and at the same time somebody has to be on a daily basis available to the President, someone who can travel with the President, to keep him up to date on what is going on.

Obviously the Secretary of State cannot do that. He has his own business and a major department to administer.

Accordingly, the jobs have to be kept separate. There is a need for a National Security Adviser and the role he plays is one that should be determined by the President of the United States.

Mr. **Broomfield**. There seems to be constant competition, though, between the Secretary of State and the National Security Adviser. Apparently there is no way of getting away from it because the person serving in the White House has constant access to the President; isn't that true?

Mr. **Regan**. Yes, but on the other hand, if you have a strong personality as Secretary of State, he becomes a Secretary of State. I think Ed Muskie was Mr. Carter's Secretary of State. I think that Al Haig was his own Secretary of State for President Reagan.

I don't think that the National Security Adviser and he went at it. But there will be times when there are these tensions between the two.

I think that, another reason for that, of course, is two people looking at the same set of facts and may interpret them differently and each wants to hold his own opinion.

Mr. **Broomfield**. Mr. Regan, before you left, were you responsible for the change in the NSC operation there where the President had made a determination that they would not have operational activities working out of the NSC?

Mr. **Regan**. Yes. That did happen after Frank Carlucci came in and while I was still chief of staff.

Mr. **Broomfield**. I have no further questions. I just really want to compliment you on your appearance here today. I think it has just been absolutely outstanding.

Mr. **Regan**. Thank you, sir.

Chairman **Hamilton**. The Chair recognizes Mr. Hyde.

Mr. Hyde. Thank you, Mr. Chairman.

Good afternoon, Mr. Regan.

Mr. Regan. Mr. Hyde.

Mr. Hyde. I couldn't help be thinking this morning when we were going over some of the exhibits, for example, and you don't need to look at it, exhibit 58, which are notes of a Presidential briefing with yourself and the National Security Adviser, and my friend, Jim Courter, mentioned that the fact that we are holding these hearings, going over all of these intimate conversations, that were at the highest levels of government, is a strength of democracy, and I understand that, although I think it is a vulnerability of democracy, too.

I think it is unfortunate that evidently nothing is in confidence anywhere in this town, and that if you can't sit in the White House and talk to your President and give him your best advice, whether that includes characterizing adversaries in an uncomplimentary way or not, you must be forthright. And I think if the fear is that those comments will be recorded and divulged to all for all the world to see, people will be reticent, people will be less forthcoming.

I have seen documents prepared in the White House by White House personnel that I was very surprised at, to see the comments that were made one thought in confidence, are anything but in confidence. And I would not be surprised if one of the recommendations of this—these two committees in our final report is that we televise meetings of the National Security Council with the President, then we wouldn't have to go through all this paper chase, and while it would deprive us of the benefits of the two, we could get the information first hand and get it out very quickly.

Open covenants, openly arrived at.

Let me comment briefly—oh, let's get back to the thing that George Shultz tendered his resignation over. That was the denial of the aircraft.

Now, you said this morning that it is a turf struggle between the Secretary's budget and the White House budget, and if the plane is for a Presidential mission, then the White House budget pays for it, but if it is a non-Presidential mission, then the Secretary's budget pays for it. And then I would assume from what we have been told that the Secretary wanted a plane and wanted the White House budget to pay for it, and he was denied that because it was a non-Presidential mission.

Is that true?

Mr. Regan. That's my understanding of it, yes.

Mr. Hyde. Did you look into this particular request by the Secretary to see what he—where he wanted to go?

Mr. Regan. Not personally. I intend to call him and maybe get him on the first tee and find out from him which one he was talking about.

Mr. Hyde. Maybe that first tee might be in Augusta, GA?

Mr. Regan. So much the better.

Seriously, though, I don't know which flight he was talking about. But I do know this, that he was—has never, to my knowledge, been denied a plane. The only question is who pays for it.

Giving an example, if he is going to the Asian conference, he knows in advance each year there is an Asian conference and therefore that should be in his budget, and even though he is going there to represent the President, yes, but that should be part of the State Department's anticipated budget.

But if all of a sudden the President says to him, George, I want you to undertake a special mission for me and go here, there or anywhere, that is a Presidential mission he is undertaking. He had no thoughts that should be in his budget or what have you, so he goes on that to represent the President.

If there is a death somewhere of a head of government and he is going to represent the U.S. Government, that's unanticipated. But he's there on a Presidential mission, he would get a Presidential plane and the White House would pick up the tab.

Mr. HYDE. But this Mr. Miller, who has caught unshirted hell for denying the Secretary of State a plane, was implementing guidelines set up by yourself for Presidential missions and non-Presidential missions? Would that be so?

Mr. REGAN. That is correct.

Mr. HYDE. Now, one of the almost banalities that will come out of these hearings—and I say that not to demean the notion, but I mean it is so obvious, that it leaps up and bites you—is the need for increased cooperation between Congress and the White House, especially in sensitive foreign policy matters. That is an obvious problem.

But you know when you have a very conservative President and you have a very liberal Congress, or at least a Congress dominated by a liberal leadership, and you have a place like Central America where the ideological differences are vast, you have a situation that really, as I've said, is a recipe for gridlock.

Meanwhile, events are happening and you have to help shape those events or you will have to react to them, and we have suggested the so-called gang of eight, the Majority Leader and the Minority Leader in the Senate, the Speaker and the Minority Leader in the House, and the chairman and vice chairman of the Senate Select Committee on Intelligence and the chairman and ranking member on the House Committee, and that's fine, those titles, but when you get certain personalities in there your problem is exacerbated, and I'm thinking without knowing, but just from the outside, that the Speaker of the House, past Speaker, was very much out of sympathy with our Central American policy.

His reaction to it was visceral, as well as otherwise, I'm sure. And I'm sure that presented problems because it was really a contest between good and evil, I think, in the Speaker's mind.

Is it not so, that the notion of sitting down and discussing these things frankly and fully on a very confidential basis presented some different human—difficult human problems?

Mr. REGAN. Oh, yes. They'll always be there, those tensions, though, between strong willed leaders in the Congress and the elected President.

I think—I don't know of any era when they were really good. There's always tensions between them.

But I think when you are getting into covert operations and the sensitivity of that, that you do have to have a small group of congressional leaders to meet with the President on this.

Mr. Hyde. Would you recommend a merging of the Senate Select Committee on Intelligence and the House Select Committee on Intelligence into one joint committee with fewer members, smaller staff, as an inducement, as providing incentive to the White House to be more forthcoming, since there would be fewer people in the loop?

Mr. Regan. I'm inclined toward that point of view, yes. I would want to take a look at just how it would be done and what the make-up of the committee would be, what the size of the staff would be, that type of thing.

But I think quite obviously that we—if there is any one way to get cooperation and a way to do it is to cut the size and merge the committees, then by all means I would encourage you to do it.

Mr. Hyde. See, we are sitting in judgment on the executive here, but I would hope emerging from our deliberations might be some recommendations of things we could do with our own institution to better—to be more conducive to disclosure by the executive, and it just seems to me that's one.

There are some 90 people, I believe, now, including both committees and both staffs of the Select Intelligence Committees, and—well, I just think that's something that we might think about.

Lastly, I do hope that we don't suggest a Senate confirmation of the National Security Adviser.

Mr. Regan. No.

Mr. Hyde. I think all that will happen there will be a new title will be given. The President ought to have his own person in whom he has trust and confidence in helping provide him with the options for foreign policy choices that State comes up with, CIA comes up with, DoD comes up with, and all the rest.

The personalities of the Secretary of State, the personalities of the National Security Adviser, might well be crucial in who dominates and how well the offices work.

Henry Kissinger had both hats and carried his influence from National Security Adviser over to State. President Reagan was handicapped, it seemed to me, by having five National Security Advisers with two Secretaries of State. George Washington had his Hamilton and his Jefferson, who did not like each other very much, but Washington was strong and he stayed in the middle, and they were both of great service to him and the country. So it can happen.

Well, thank you, Mr. Regan.

Mr. Regan. If I might, Mr. Chairman, for one minute—Mr. Hyde, you commented on something that Mr. Courter also alluded to, and because I'm sitting in this chair I think I should say this—this is a unique situation. I asked my staff to do some research and, granted, it's rather hasty research so it may not be exact research, but I asked how many times has a Chief of Staff to a sitting President appeared before the Congress with no executive privilege being invoked.

I'm not sure I'm going to do myself any kind of a service when I tell you the answer to that, but nevertheless I'll tell you the answer, and it's only once before in recent history, and that was Sherman Adams before a House committee regarding some gift or another that he had received.

But that's the only time that the Chief of Staff has appeared here. And I wouldn't want you to get the notion from that that I approve of Chiefs of Staff coming before the Congress and revealing intimate details of his advice to the President or what the President said to him, and I would also be horrified if I thought I left an impression with you that I thought the Chief of Staff should go through confirmation by the Congress.

Mr. HYDE. No, I'm sure just the opposite, and I'm very concerned about the eroding of executive privilege, what it means for the future and for our allies, who might very well think twice about working cooperatively with us if they think that the advice they are giving or the positions they are taking will be a matter of public record.

My last question: Mr. Regan, do you own a Vicuna coat?

Mr. REGAN. No. I don't like fur.

Mr. HYDE. Thank you, Mr. Chairman.

Chairman HAMILTON. Senator Rudman.

Mr. RUDMAN. Mr. Chairman, thank you very much.

Just before I ask a few questions of Mr. Regan, I would just observe that my friend, Henry Hyde, does make some very interesting observations about the need for cooperation, and I think when we talk about that, we are talking about dealing in good faith, having an openness with each other.

There have been a lot of times in our history that the Congress and Presidents could not agree on a major policy, and if anyone wants a real instruction on that, I suggest they read the years of the Franklin Roosevelt administration between 1936 and 1940 on the issue of whether or not the United States ought to aid the European powers in their struggle with the Axis powers.

You talk about warfare between the Congress and a President, and that is a good example.

So I daresay that it's probably unlikely we are going to expect, on highly contentious issues, we are going to have the kind of cooperation some people may be talking about.

But at the very least, I'm sure that our witness would agree we ought to have openness and directness and dealing in good faith.

I think that's to some extent what some of these hearings are about, at the very least.

Mr. REGAN. I would agree to that.

Mr. RUDMAN. Mr. Regan, you may recall that the last time that we met was on the 15th of February at Logan International Airport when you were on your way back from a meeting up in Waterville Valley, NH. And I believe we were supposed to take the same plane back to Washington, but for one reason or another didn't. But that was 2 weeks before you left your position at the White House.

And I must say that during my—my other colleagues who have known you, that it is a pleasure to see you relaxed and with your composure in place, because as I recall that meeting, you and I went off into a private room, I believe that Mrs. Regan was with you, and we talked about these events because the committee had been announced.

I would be, I think, accurate in describing you as very tense, and we talked a little bit about the problem. And one of the things that you said, which I committed to my diary, because I do keep a general diary——

Mr. REGAN. Is that available?

Mr. RUDMAN. Well, if you would like to share the royalties of your book, I would be willing to discuss it with you.

You expressed to me, I think I would describe it accurately, almost a sense of bewilderment at some of the things that had happened that you were unaware of, that you were absolutely baffled by the things that happened, and we discussed it, as I recall, for about 15 or 20 minutes. Do you recall that?

Mr. REGAN. I do.

Mr. RUDMAN. And I had the very distinct impression, from that time on as you were being assaulted almost daily in the press by a number of people who called for your resignation and were blaming you, that I found a man in that conversation that day that truly felt that he had not been dealt with fairly by some of his associates, I am not talking about the President, I am talking about others, and that is why you were still on the job, that you felt that you had been left out of important decisions and were left to essentially fend for yourself on those issues. Is that an accurate statement?

Mr. REGAN. Yes.

Mr. RUDMAN. Now, I think you are a very unique witness, Mr. Regan, because you are the only witness that we are going to have that was in the White House at the time that all of this confusion took place that has no personal axe to grind, who by no one's account was involved in any part of what these hearings are truly about in any direct or even indirect way. Secretary Shultz testified and one of the things that he said that I thought made a deep impression was this, he said, talking about that period, 21 to the 25, or maybe a bit before that, that people who were advising the President on facts had a conflict of interest. You said, relating that same period, that you discussed it with the Secretary of State, and you had said that you thought the President was ill-used, to use your term.

Do you agree with the Secretary's contention that people who were advising him on facts had some sort of a conflict of interest and that they were not sharing with him the facts?

Mr. REGAN. Yes.

Mr. RUDMAN. And, as a matter of fact, isn't that really the story of probably the most, probably the only inept major speech or press conference this President has had during his 7 years, that he did not have——

Mr. REGAN. I would have to say it was one of the worst from his point of view, yes.

Mr. RUDMAN. I think everybody would agree on that, and the thing that was the most disturbing is that would you agree with me even on facts that the President turned out to be accurate about, that he seemed very unsure of the information that he was giving the American people. Would you agree with that characterization?

Mr. REGAN. That is correct.

Mr. RUDMAN. As a matter of fact, you described, for the first time it has been described by anyone, the interesting briefing session in the family theater, and I think what I got from that testimony this morning was a view that Admiral Poindexter was still keeping his compartments in place, that the compartmentalization of information for some reason was not even being opened to the President when the President was preparing for that news conference. Is that an accurate statement?

Mr. REGAN. Yes.

Mr. RUDMAN. Well, the reason I talk about that is that I want to take you to another set of circumstances which I believe is very important, at least in some sort of historical perspective of what this committee is eventually going to write. I have found one of the most puzzling features of this entire event, the President's repeated statements, until I believe sometime in the spring, or later winter, March, that he did not believe this was an arms-for-hostages transaction, he said it many times, formally, informally, to Members of Congress and to the public.

And, yet, as we now have all of the information and all of the PROF notes, we would all agree, I think most of us would agree on this committee, that although it may not have started out that way, that it certainly ended up that way from every record we have looked at. Would you agree with that?

Mr. REGAN. Yes, I would agree with that.

Mr. RUDMAN. Mr. Regan, here is my question: I have serious doubts about the nature of the briefings the President of the United States received from his National Security Adviser and other staff on the entire Iranian transaction. You know, it is pretty easy, it seems to me, and Secretary Shultz alluded to this in his testimony, that if you are briefing a President and your briefing him with a point of view that you certainly could rationalize the presentation in a way to almost shield the President from the real facts.

Were you present during some of the briefings, or did you review some of the documents that the President formed his views from in discussing these issues?

Mr. REGAN. Are you referring here to the November 19 press conference?

Mr. RUDMAN. Yes, I am.

Mr. REGAN. I was present on the 18th for the briefing there; I did not make the briefing on the 19th, itself. I read parts of the materials that were furnished to the President for his reading prior to the briefing sessions.

Mr. RUDMAN. And would it be fair to state that the emphasis in all of those was on something other than arms for hostages?

Mr. REGAN. Oh, yes. The points were made continually, and the President literally did believe that. I still think he probably believes it today, that he started—excuse me, I am losing my voice finally—he started out this way believing that it was an initiative to Iran, he wanted to keep it on that track, that the arms for hostages was a by-product of this. He felt, and he has used this description in my presence several times, I am not sure it is a good analogy, but at least I will tell you his way of thinking.

He says that if one is unfortunate and has a member of one's family kidnapped, if there is a demand for ransom and you decide you are not going to pay it, but if a third party comes along and says "I think I may know who the kidnappers are, I may have some influence, do you want me to do it for you?" And then that person, in turn, says, "And, by the way, would you do this, that or the other thing for me?" And you say, "Yes, I will," and then he, in turn, tries to contact the kidnappers for you, that you really have not dealt with the kidnappers themselves.

His reasoning is is that the money that was spent was Iranian money for arms. None of the proceeds went to the Hizballah, or whoever it is who are the captives of these people. He also feels that the missiles themselves ought to be used by Iranians, not the Hizballahis, some by the Mujahedeeh.

Accordingly, to the President, he has not dealt directly with kidnappers, terrorists.

Mr. RUDMAN. And that has a great deal to do with the character of the briefings that were furnished to him based on information this committee has looked at. Don't you think that is an accurate statement?

Mr. REGAN. Oh, yes, there is no doubt about that.

Mr. RUDMAN. As a matter of fact, I just want to ask you a question. I have no idea what your answer is going to be. I have looked at a number of documents—I expect you have in preparing for this, and you have been deposed and you have been very cooperative, but you were there when all of this happened.

Do you think it is fair to say that the President's staff—and I am not talking about you—I am talking about the National Security staff, not only ill-served the President by not advising him of the diversion scheme and allowing him to make that choice himself, but in fact did not adequately brief him on, during and after these events took place?

Mr. REGAN. Well, this may be an unkind characterization of them, but nevertheless, it's the way I feel. I do think they should have discussed this with the President, allowed him to make the decision to divert funds or not.

Secondly, knowing of that, that this money had been done but yet knowing that the cover had been blown and this would eventually come out, they should not have allowed this President to go on speak to this nation without revealing that fact, among others. That would have put a whole new light on the situation.

They also did him a very much grave disservice, hurt him badly by allowing him to go before the nation's media or its representatives, and not know that these deeds had been done. What if somebody that night had challenged the President, an enterprising reporter had found this information out one way or another? What would the President's embarrassment have been? As it so happened, it was the Attorney General that found it or one of his people, and the President himself was allowed to make this announcement. I say "allowed." There was no choice. I mean, the man wanted to do it. But it was certainly embarrassing to the President.

Now, that to me was a grave disservice that the National Security Advisers did to the President in knowing that and nobody spoke up.

Mr. RUDMAN. Thank you. My time is up.

I'll simply wind up by just observing that a number of people on this panel, both Republicans and Democrats, have been criticized for being tough on certain witnesses and boring in on the facts, and I want to tell you, as a member, you and I are members of the same party, you served the President as Chief of Staff, I represent my constituents of New Hampshire here in this body, I happen to think that the greatest tragedy of this entire event is that this President, who has been good to the people, who has been reticent to fire people, who was known to be kindly and decent, was so ill-served and deceived by key members of his own staff, I think it is an outrage, and frankly that has outraged me from the very beginning. And I would expect it's probably outraged you.

Mr. REGAN. It has.

Chairman HAMILTON. Mr. Rodino is recognized for 10 minutes.

Mr. RODINO. Thank you very much, Mr. Chairman.

Good afternoon, Mr. Regan.

Mr. REGAN. Mr. Rodino.

Mr. RODINO. Mr. Regan, a while ago, while being questioned by Congressman Courter, you were referred to exhibit 41A, which is a copy of your notes of the November 10 meeting, and you read, and you read through page 11, I think—of course, we get clear there that you are trying to suggest that there be a statement, that it be brought out quickly and that the reason you are suggesting that is that we're losing credibility.

Now, I know you have read down to the bottom of that page. Then there is, as you will read, John Poindexter, I believe, is saying, "Say less about what we are doing, more about what we are not doing," and then turning to page 12, it says, "Cap"—I guess that is Secretary Weinberger—"be careful of Raf. and Israel and blackmail. What we say will be repudiated," and then there is a notation, "Ed." And this is what I would like to ask you director—Mr. Secretary: Ed is, according to your notes, saying, "We are saying only what we did and know has happened, no violations of laws and policy."

Now, this, Mr. Secretary, is 11 days before the Attorney General was given his charge to conduct a factfinding and it was 9 days before he ever saw a chronology, according to his own testimony. What I'm confused about is, on what basis—and I'm asking you to probably explain to me, there might have been something else that might have gone on—on what basis could the Attorney General have concluded no violation of laws and policy?

Mr. REGAN. Well, quite obviously, I can't tell you what was in the mind of the Attorney General and on what basis he said that, because I have not discussed that with him, nor did I at the time that he said that. I assume that what he meant was as far as he knew, as of that moment on November 10, there had been no violations of law and policy. That is from what he had been told by, up to that point, by the National Security Adviser or had read in whatever publications any of this news had appeared.

Mr. RODINO. Wouldn't it seem to be, though, a prejudging of the facts that he was going to look into and then have to go before the American people?

Mr. REGAN. Well, again, you got to refer that back to what Cap Weinberger has been saying in the notes here, "What we say will be repudiated." And he is saying, look, all we're saying is what we did, what we know has happened. Now, if he didn't know of the fund diversion, if he didn't know, and I don't believe he did, I think he so testified, at that time on November 10, that there had been a HAWK shipment known to the President on November 25 of the previous year, then he was speaking only from what his knowledge was as of that moment.

Mr. RODINO. Thank you, Mr. Regan.

Mr. Regan, you talked a while ago, and the Senator, Senator Rudman pointed out how ill-served the President had been, and especially in being prepared for that November 19th press conference. I think that is exhibit 48.

And exhibit 48, which is his press conference, I recall that there is a question. I think it's on page 6 of that press conference, under the paragraph Iran-U.S. relations, the question is: "Mr. President, going back over your answers tonight about the arms shipments and the numbers of them, are you telling us tonight that the only shipment with which we were involved were the one or two that followed your January 17 Finding, and that whatever your aides have said on background or on the record, there were no other shipments with which the United States condoned?"

And the President: "That's right, I'm saying nothing," et cetera.

And then there is a question: "Mr. President, to follow up on that, we have been told by the Chief of Staff Donald Regan that we condoned, this government condoned, and Israeli shipment in September of 1985." Now, it seems to me—then the President goes on to say, "Well, no, I have never heard Mr. Regan say that."

We do know that you have already made reference to that being a disastrous conference, but is this again an indication of the President being ill-served, that he wasn't properly prepared, he was given facts that weren't right? Because it seems to me that he is not acknowledging the fact that there were shipments in 1985, only acknowledging the fact that there were past January, 1986, Findings.

Mr. REGAN. I think this question caught him off guard. Remember what I told you earlier this morning, sir. In that briefing he had been told a lot of things of what to say and what not to say, particularly as regards Israel. Do we tell all? Do we tell nothing? Do we even admit that there is a third country, that Israel has been involved in this?

There were many saying no, no, no, you don't talk about that. You're going to have too much confusion in the Middle East with allies, with Israel itself, with other people if you start talking about that. So he has it in the back of his mind during that conference, let's be careful now what we say about Israel.

All of a sudden, he is told his Chief of Staff has already said we did condone, which happens to be the fact, that we did condone a shipment by the Israelis. The question had it a little bit off, it wasn't September of '85, it was August of '85 the shipment had been made. So what he says is, "I've never heard him say that, but I'll talk to him about it," meaning I'll get to see the SOB and find out why he said that.

Mr. **Rodino**. Well, I had the impression that the President was concerned with probably disclosing too much which might jeopardize the hostages, but then I can't put together, because if he acknowledges the fact that there were shipments following the January 17 Finding in 1986, then what difference would it make? Since there already had been——

Mr. **Regan**. Well get the drift of the question, Mr. Rodino. Notice that the questioner is saying the President condoned an Israeli shipment shortly before the release of the hostage Benjamin Weir. Direct tie-in. One caused the other. The President has been denying this all along, that there was a direct tie-in.

All of a sudden, he is confronted with this question. There is a direct tie-in. Israel sold arms, out came Benjamin Weir.

What are you going to say about that? Well, I never heard about it. Well, your Chief of Staff said it happened. All right. I will go check my Chief of Staff and find out why he said it. That is the interpretation I give to this. I don't think there was any dissembling by the President or desire to mislead anybody. I think it caught him off guard.

He hadn't realized that I had confirmed.

Mr. **Rodino**. I was suggesting that possibly there were his advisers who had improperly or inaccurately advised him and who wanted to make certain certain facts didn't get out.

Mr. **Regan**. Well, I don't deny—as a matter of fact, I have stated explicitly, that there was confusion even in the minds of the National Security Advisers who were briefing on Israel as just how much to say. Some thought we could go, you know, as far as admitting this. Others didn't even want the name of the country mentioned.

So it was a very delicate subject. The President was trying to walk that tightrope between saying too much and saying a wrong thing.

Mr. **Rodino**. Thank you, Mr. Regan.

I have another question and that relates to the November 21st, 1986 meeting that you had with Admiral Poindexter and the President and Attorney General Meese.

Poindexter went away from that meeting and after that meeting and late that afternoon he destroyed a memorandum which was a very significant memorandum.

I really am curious about that as to why we haven't been able to get an answer as to that.

I asked the Attorney General if he had an idea. The admiral stated that he wanted to save the President from political embarrassment, if that ever turned out, or turned up.

My question is, was there any discussion that morning when the Attorney General was charged with the factfinding inquiry concerning some possible political embarrassment and that maybe he——

Mr. **Regan**. No.

Mr. **Rodino**. —might have had a signal of some sort?

Mr. **Regan**. No. The President never considered politics, capital P or small P, in this situation. I don't recall his ever saying that this is going to be politically embarrassing to him. Remember that this man will never run again for office. So politically embarrassing is not something that he considers or about himself personally.

The embarrassment obviously is to his administration and to him that he didn't know what was going on, that this was going—being done to him by underlings without his knowledge. That is very embarrassing to any CEO when something happens in an organization that he is unaware of and it turns out and it is very bad for the organization.

That was Admiral Poindexter's judgment of politics. But I am supposed to be the one that knew less about politics in the White House than anyone else, so we are going to think there was somebody that understood it even less than I.

Mr. **Rodino**. Maybe Admiral Poindexter might have gotten a bit better advice if he had come to you as Chief of Staff before he made that decision, but in any event——

Mr. **Regan**. I won't comment on that.

Mr. **Rodino**. In any event, I want to thank you very much, Mr. Secretary. I want to echo the sentiments of all of the other members of this committee who expressed appreciation for your forthrightness and your frankness in coming her without immutiny and without any suggestion that you be concerned with executive privilege.

Thank you very much.

Mr. **Regan**. Thank you, sir.

Chairman **Inouye**. Senator Mitchell.

Mr. **Mitchell**. Thank you, Mr. Chairman.

Good afternoon, Mr. Secretary.

Mr. **Regan**. Senator.

Mr. **Mitchell**. Good to see you again.

Mr. Secretary, we face several problems in preparing our report, a principal one being resolving conflicts in the evidence before us—determining credibility.

You knew the people involved and spoke with them. I want to ask you questions really about your discussions with Admiral Poindexter on what was the central point and issue, and that was the authority to approve the diversion.

This morning in response to Mr. Smiljanich's question, you told of your conversation with Admiral Poindexter in which you asked him what happened here, and you replied—and I have the transcript of it here—"he was very careful, deliberate. John is a deliberate person. He adjusted his glasses, he dabbed at his mouth with his napkin, put it down. He said, 'Well, I guess I should have looked into it more, but I didn't. I knew that Ollie was up to something, but I didn't know what. I just didn't look into it.'"

You recall that testimony?

Mr. **Regan**. I do.

Mr. **Mitchell**. You recall that conversation with Admiral Poindexter. At that time, did you find him to be a credible person and you believed what he said when he told you that?

Mr. **Regan**. Oh, yes. John Poindexter is a fine man and I had no reason to not believe him. Everything he had ever said, my relationships with him were above board. I had no reason to think he was devious or anything except 100 percent truthful.

Mr. MITCHELL. As you may know, if you have followed these hearings, Admiral Poindexter's testimony to this committee was quite different from what he told you on that morning. He testified here regarding that decision, and I will just read portions of it.

He said, "I felt that I had the authority to approve it because I had a commission from the President which was in very broad terms. My role was to make sure that his policies were implemented. I was convinced that we could properly do it and that the President would approve, if asked. I made a very deliberate decision not to ask the President.

"On this whole issue, the buck stops here with me. I made the decision. I felt that I had the authority to do it. I thought it was a good idea. I was convinced that the President would in the end think it was a good idea."

In view of what Admiral Poindexter told you when you asked him about it, as you have testified here to today, were you surprised to hear his testimony before this committee in that regard?

Mr. REGAN. Startled. I think is better—startled.

Mr. MITCHELL. Startled?

Mr. REGAN. I had never dreamed that the admiral was that much involved in the technical details of the diversion, never knew anything like that could have occurred, if he were aware of it.

I was very much surprised at that.

Mr. MITCHELL. You received from your conversation with Admiral Poindexter a totally different impression regarding his knowledge of and decision; is that fair to say?

Mr. REGAN. Yes. That it was a lack of supervision. A lack of a superior investigating something going on in his own area, and a failure to perform necessary oversight.

Mr. MITCHELL. But he never conveyed to you the impression that he has made a specific decision which he felt was within his authority and made a deliberate decision to approve it and not tell the President?

Mr. REGAN. No. He never conveyed that impression to me in words of language, or anything else.

Mr. MITCHELL. Indeed Attorney General Meese testified that when he asked Admiral Poindexter about it, Admiral Poindexter replied, and I quote Attorney General Meese, "Ollie has given me enough hints about this so that I generally knew, but I did nothing to follow up."

I gather you were present when the Attorney General briefed the President on this matter.

Mr. REGAN. On the 24th, yes.

Mr. MITCHELL. On the 24th.

Did the Attorney General report to the President words to this effect or did this occur later?

Mr. REGAN. No. He reported words to the effect that you have just uttered.

Mr. MITCHELL. So that the President, along with the Attorney General, and you, had the impression that Admiral Poindexter had some vague knowledge, but no one of you were informed to the effect as Admiral Poindexter testified here that he had been fully informed and made a specific decision?

Mr. REGAN. No. Furthermore, Senator, the following morning at 9:30 when he resigned, actually turned in his resignation to the President, he did not tell the President that he had condoned the idea of the diversification, that he knew all about it. He again talked in much the same language as he had to the Attorney General and to me about failure to supervise rather than an actual participant.

Mr. MITCHELL. So the story that Admiral Poindexter told this committee is different in very significant respects than that which he told you, told the President, and he told the Attorney General last fall?

Mr. REGAN. That is right.

Mr. MITCHELL. I wanted to ask you one other question about the Finding, just a question of the legal basis in your mind for the President's authority or for the authority for the Iran initiative to go forward. You testified this morning that with respect to the three Findings, December 5th, that you did not know about that, that was the very first one that Admiral Poindexter presented to the President?

Mr. REGAN. Right.

Mr. MITCHELL. With respect to the second one, on January 7th, 1986, you testified that you were under the impression that was a draft Finding signed——

Mr. REGAN. January 6th.

Mr. MITCHELL. January 6th?

Mr. REGAN. Yes.

Mr. MITCHELL. That was a draft Finding signed in error?

Mr. REGAN. Yes.

Mr. MITCHELL. And with respect to the January 17th Finding, you did not learn of that until October of 1986?

Mr. REGAN. I did not know the President had signed it. I assumed there was——

Mr. MITCHELL. You assumed it?

Mr. REGAN.—a Finding in existence. But I did not see the President sign it nor did I ever have a copy of it.

Mr. MITCHELL. I see. So your understanding of the legal authority for the mission to go forward was the Finding that you had assumed that the President signed, but you had not seen?

Mr. REGAN. Right.

Mr. MITCHELL. What you said about that raised a question as to this particular matter and the handling of the Findings. When Mr. Smiljanich asked you about that January 17th Finding, you said that you first discovered it sometime in October of 1986. "Bill Casey called me to ask if I had a copy of the Finding of January. I asked my staff to see if we had a copy in our files. We had none. I went back to him and said, 'No, I don't have one. Ask John Poindexter.' I said, 'How come you don't have one?' He said, 'We don't have one in our files.' He said, 'That is why I am trying to find one.'"

Were all Covert Action Findings handled in the manner as this one was?

Mr. **Regan**. There is a little extra—I don't want say legality, but extraordinary type of handling of this one inasmuch as the documents seem to have passed more by hand in this one than in other covert Findings. There seem to have been less copies of this Finding than others. In fact, John Poindexter told me that there was only one original, and he never made copies of it. That was very unusual, because, particularly for agencies who are involved in these Findings, they should have a copy to know the extent of how far they can go in the covert action.

Mr. **Mitchell**. You served with distinction in various responsible positions. As a member of the Finance Committee, I recall many times you testified before our committee very ably on behalf of the administration's economic tax policies. You served as the President's Chief of Staff. If you followed these hearings, you have heard a lot about lies to Congress and to the Attorney General, and you have dealt with Congress a great deal over the past several years.

And I want to ask you, have you ever felt you had to lie to Congress in order to do your job?

Mr. **Regan**. No, never. There are times when I have regretted having to tell Congress some things. There are other times when I have bitten my tongue for not telling Congress some things, or maybe even where to go. But there is never an excuse for lying to the Congress, never, or dissembling from anyone in the executive branch. That simply shouldn't be tolerated, can't be tolerated.

Mr. **Mitchell**. You have had a lot of experience. Indeed before you assumed your public positions, you were the chief executive officer of what is the largest stock brokerage in the United States certainly, perhaps in the world. So you don't condone lying to Congress?

Mr. **Regan**. Absolutely not.

Mr. **Mitchell**. And you don't condone the destruction of documents important documents to prevent the information from ever becoming public?

Mr. **Regan**. No.

Mr. **Mitchell**. And you ran the White House and you would not have condoned that?

Mr. **Regan**. As a matter of fact, I'll tell you this, I have been questioned by—as my secretary has—by members of the staff of this committee and others, the independent counsel, about shredding. I'll tell you this, we don't have a shredder or didn't have a shredder in my part of the West Wing. I don't know where that shredder is that supposedly is in the West Wing of the White House. I suspect it is downstairs in the Situation Room. But we did not have a shredder in my part of it, and the second point is, I wouldn't know how to operate one if I had one.

So we did not believe in shredding documents.

Mr. **Mitchell**. My time is up, Mr. Secretary. I thank you, and I do want to join my colleagues. For those of us who have had the opportunity to have worked with you before on other matters, your testimony today has been forthright, your candor comes as no surprise. It is consistent with the manner in which you have always conducted yourself. I just want to thank you for your testimony.

Mr. **Regan**. Thank you, Senator.

Chairman INOUYE. Mr. Secretary, it is obvious to all of us that your throat is bothering you. We hear the hoarseness. Frankly, we are very much concerned. It is now a quarter to five, and we have Senators and Representatives waiting in the wings to ask you questions, and if they all do ask you questions, we will be here at least for another 2½ hours, and so we would like to accommodate you and suggest that we return tomorrow morning after a good night's rest. Would that be all right, sir?

Mr. REGAN. That is a real Hobson's choice, Mr. Chairman.

It is a choice between losing my voice or coming back here tomorrow. But, nevertheless, I think I will take you up on it. I will come back in the morning.

Chairman INOUYE. We want to thank you for spending this time with us, and this hearing will stand in recess until 9:00 tomorrow morning.

[Whereupon, at 4:45 p.m., the Select Committees recessed, to reconvene at 9:00 a.m., Friday, July 31, 1987.]

JOINT HEARINGS ON THE IRAN-CONTRA INVESTIGATION

Continued Testimony of Donald T. Regan and Testimony of Caspar W. Weinberger

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FRIDAY, JULY 31, 1987

SENATE SELECT COMMITTEE ON SECRET MILITARY
ASSISTANCE TO IRAN AND THE NICARAGUAN OPPOSITION
AND
HOUSE SELECT COMMITTEE TO INVESTIGATE
COVERT ARMS TRANSACTIONS WITH IRAN,
Washington, DC.

The Select Committees met, pursuant to call, at 9:00 a.m., in room 325, Russell Senate Office Building, Hon. Daniel K. Inouye (chairman of the Senate Select Committee) and Hon. Lee H. Hamilton (chairman of the House Select Committee) presiding.

Chairman INOUYE. The hearing will please come to order.

The Chair recognizes Chairman Hamilton.

CONTINUED TESTIMONY OF DONALD T. REGAN, FROM JULY 30

Chairman HAMILTON. The Chair recognizes Mr. McCollum for 10 minutes.

Mr. McCOLLUM. Thank you, Mr. Chairman.

Good morning, Mr. Secretary.

I used to have the privilege of calling you that before you went down to the White House to wear another hat when you did appear up here a lot in front of our Banking Committee as Secretary of the Treasury. It is good to see you in the seat again even though I know this is not the most comfortable occasion for you to be with us.

We are going to certainly wrap up this expeditiously this morning.

I think you have given us yesterday pretty much a full rundown of what you do know, and I have one or two remaining points that I would like to raise with you to try to satisfy some of my curiosity and the public's, I think.

Yesterday you related to us, I believe I'm correct, that you tried to have breakfast with Admiral Poindexter about once a week when it was possible and he was around.

Is this generally true? Was that my recollection correct?

Mr. REGAN. Yes, that is correct.

Mr. McCollum. I assume that you would discuss various issues at that point in time with him whether they be procedural or whatever happened to come up—that was the purpose of the meeting, just like the breakfast that you urged the Secretary of State and Secretary of Defense and so on to have once a week?

Mr. Regan. Theirs was a luncheon; this was a breakfast. But you are right; that was the purpose of it.

Mr. McCollum. What I think the American public is curious about is, in those breakfasts you had with Admiral Poindexter, why didn't you, or perhaps you did, ask him on occasion with regard to the Iranian initiatives that you generally were aware of; "How are you going about this? Give me some of the details."

That is the kind of question that I am wondering if you did ask or if you didn't, why you didn't.

Mr. Regan. A fair question.

Generally, at those breakfasts, we talked more about housekeeping details, trips that the President might be making, forthcoming international events and how to get ready for it.

It took a lot of administrative work, for example, for an economic summit meeting with the general secretary, something of that nature.

So by and large, we didn't get into questions of the nature that you just described.

Very frankly, as I think I said yesterday in testimony, after about February of 1986 until October, with the exception of May of 1986, I really didn't focus on the Iranian situation at all.

I was busy on a lot of other things and felt that the National Security Adviser was playing his role in this, he had charge of it, and so I let him have his head as it were.

Mr. McCollum. There is a lot of 40/40 hindsight that goes on, especially with this committee, and I am sure there's going be 40/40 hindsighting saying that you should have looked at that a little bit more, you should have asked him about that.

But I'm not going to plug into that today, I think that can be rehashed, the commentators can do that and others can do that. But I am concerned about a broader policy question than simply your knowledge or your asking those questions of Admiral Poindexter.

At one point during the hearings, Colonel North in his testimony told us that he thought it would have been far preferable to have had a confrontation with Congress over the Boland amendment than to have had the kind of policies that he was carrying out in the covert resupply and in the fundraising activities, the manner in which they were going.

I don't know for sure if he meant a constitutional confrontation, although that certainly would have been my preference if I had been there talking about it, or if he meant another form of it.

But I asked that question as I had to Mr. McFarlane to Admiral Poindexter, because I was the one who had originally raised that issue and Colonel North referred to it.

I said, "Wouldn't it have been better to have had such a confrontation over Boland in the beginning instead of getting involved in a secret policy with regard to this?"

He said, "Yes, in fact that was my position all along, but I was overruled," or words to that effect.

What are your views about the confrontation issue and do you recall it ever coming up in any of the discussions?

Mr. **Regan**. I recall it coming up in conjunction with the continuing resolution in 1985. I believe Boland came in—there was a Boland amendment to that CR. If I am correct in that, I know that part of our discussion was what do we do about this.

The CR in 1985—maybe I have it mistaken with the 1986, but I think it was the 1985 one—was about 2 weeks late. The fiscal year had started October 1st and we were still without budgets for most of our Departments.

We had worked long and hard with the Congress, hadn't got all that we wanted, neither did the Congress get all that it wanted, but we had successfully arrived at a compromise for that CR.

At that point in time, it was more of a tactical decision, I would think, than a real strategic political decision, "Do we take on the Congress over the Boland amendment or don't we?"

And it was felt that after looking at it, well, we can live with it, we don't like it, we can live with it, we can try to change it with the Congress next year, this is mid-October, we will start working on it in mid-January, let's go along with it.

There was another alternative strategy that was offered to us, that is no, bring the Government down, grind it to a halt, refuse to accept the CR, veto it and have a constitutional—not a constitutional but have a legislative fight over it.

Mr. **McCollum**. What about after the fact? You know even though you accepted it and it was part of this big appropriations bill, which would have caused a problem to veto and get into the bringing of the Government down or shutting it down for a while, even after it was law, couldn't the President have confronted, and I think that is what Admiral Poindexter and Colonel North were saying, confronted Congress in the sense of openly saying at least as far as his National Security Council and those that weren't covered by it technically in the view of those who have given us that view, we are going to go ahead and do this, the President is going to publicly fundraise for the Contras, which I know is a proposal that went up on one of the memoranda, the President and his key staff people are going to do everything they can to keep the Contras alive.

I think it was the President's policy. It wasn't presented in a confrontational way to make an issue out of it politically or publicly, and I think that is what they're talking about, a way that might have wound up in the courts.

Mr. **Regan**. Again, you have a question here of decision. They were many congressional leaders, particularly in our own party, who were counseling the President against this confrontational policy with the Congress; that relationships had soured enough.

Mr. **McCollum**. Were you one of those?

Mr. **Regan**. You will recall that I was one of the ones that the Congress was saying was one of the ones that was causing this souring of relationships because of the confrontation.

No, I wasn't one that was for sweet and amiable relationships with the Congress which meant let the Congress have its own way and you have a weak chief executive.

No, I was the other side, saying the chief executive should stand up for what he wanted.

But you can only fight a battle on so many fronts at once, and the decision made, right or wrong, was that this wasn't one of the issues that we were really going to take on and go to the mat.

Mr. McCollum. I would like to look at this picture of what we have seen in the committee for the last few weeks with you in somewhat of an overview, because I think some themes are emerging, confrontation concerns me and that is one, but there a number of things are.

We have learned out of the past few weeks and I think it pleases me and I am sure it does you a great deal that the President's credibility issue has been resolved in his favor.

I don't think there is any question out of these hearings that the public now understands that all along the President has been truthful, there have been problems, there have been a lot of issues raised, and there may be judgment question calls involved in this, but that issue has been cleared up.

But I think some other troubling things have been raised. The most troubling to me is the lack-of-trust issue on intelligence matters.

It seems to have been a chief motivating factor with regard to some of the key people—players in this in not informing Congress and in not talking to each other, a concern over leaks—leaks of sensitive intelligence information.

We have also had and I think you testified to some of this yesterday in your opinion, some suggestions that have been made along the way that we might do to remedy that lack of trust.

One of them would be a smaller joint intelligence committee to oversight that function.

One might be to have the group of eight more clearly legislatively defined and under given tight time limits require reporting to that group.

One of them I think would be to strengthen and revise our laws—criminal laws on leaks in a bill such as one I introduced yesterday in H.R. 3066 that some of the members of this committee cosponsored.

All of those, I think you would have to agree, are things that we ought to look at when we get to our recommendation area to try to rebuild that lack of trust.

But it seems to me there are also some other things that we need to do that haven't been done, and I am not sure how many of those can be done legislatively.

We need to get our operational resources in the anti-terrorism area back on track.

I see a weakness—perhaps being close to it, you didn't see—but I see a strong weakness in the area of our willingness or perhaps our confidence in our special operations teams or our CIA intelligence to go out and rescue hostages or to take preemptive steps that are necessary.

We have done a great job with Libya and a few of those types, but getting back individual hostages has been a terrible ordeal for everybody.

It was true for Carter, it is true for Reagan, it is going to be true for the next President.

One of the things that is lacking is not legislative. We passed a law here for a new Assistant Secretary of Defense, and since you have left the White House, you may not be aware, but we still haven't filled that post.

It is an ongoing problem that certainly Secretary Weinberger will have to address later today or tomorrow or Monday or whenever.

And then, last but not least is this issue of confrontation. I don't think we can legislative in that area, but it seems to me that the terrible problem we have got here is going to have to be resolved in some way down the road between the legislative and the executive branches regarding who has the strength in the foreign policy area in some of what have been very gray areas in the past and maybe didn't need to be refined more but now in this time when we have these problems that are facing us like the hostages and terrorism and so on we have an obligation to define that and refine it more, and it seems to me it is going to require a stronger stance by the President, making a role in confronting Congress occasionally as was not done here.

Maybe again it is 40/40 hindsight, but I am looking ahead. We can look back and learn. I am not criticizing, just saying, hey, when we have another Boland, we need to have more confrontation to refine this issue if we ever come forward and can get this resolved.

Does that summary strike you as a fair approximation of some of the key things that this committee needs to address in looking at recommendations and resolving what we have been looking at all these few weeks?

Mr. **Regan**. I would say it is a fair summary. There are many points that you raised I would like to discuss more with you at an appropriate time,

Mr. **McCollum**. Certainly. Because some of them do require more explanation. But nonetheless, I think there are these issues which I hope this committee will address in its final summary.

Mr. Regan.——

Mr. **McCollum**. Thank you very much, Mr. Secretary.

Thank you, Mr. Chairman.

Chairman **Hamilton**. the Chair recognizes Mr. Stokes.

Mr. **Stokes**. Thank you, Mr. Chairman.

Good morning, Mr. Regan.

Mr. **Regan**. Good morning, Mr. Stokes.

Mr. Stokes. Mr. Regan, I would like to begin my questions by referring back to the conversation you had on November 24th, with Director Casey. I know a couple of my colleagues have already made some reference to that conversation, but I would like to approach it in just a little different way.

I do so for the reason that we have received some rather contradictory testimony regarding the involvement of Mr. Casey and around the whole question of diversion, and let me just tell you what the contradictions are as I see them.

Colonel North told our committee that Mr. Casey knew of the diversion and that he concocted the fall guy plan.

Admiral Poindexter testified that he told North to tell no one about the diversion and that he assumed that North had obeyed him.

He later found out that North told McFarlane in July of 1986. Then he found out that Director Casey knew, from North's testimony before our committee.

Admiral Poindexter told Attorney General Meese that no one in the White House but himself and North knew of the diversion.

Director Casey told Attorney General Meese that he did not know of the diversion.

Colonel North told Attorney General Meese that only Poindexter and McFarlane in the U.S. Government knew of the diversion.

I would ask you, and I think that your opinion will be valuable to us in terms of trying to in some manner reconcile these contradictions, going back to the conversation you had with Director Casey that day, and giving consideration which you have already told us in terms of the fact that his expression was rather benign and consequently you couldn't derive much from that, but knowing everything that you now know and putting the conversation you had with Director Casey in the same category you did with the President when you said you knew the President was an actor, but that you were totally convinced that knowledge of the diversion was completely new to him—and so my question is, putting everything into context retrospectively, given your impression from that conversation you had that day, would you say that, in your opinion, that this was the first time that Director Casey had knowledge of the diversion?

Mr. REGAN. That is a very difficult question for me to answer.

As I said yesterday, he did not indicate to me that he did know of the diversion. On the other hand, he didn't say that he did not know of it. It seems to me that you gentlemen will have to look a little bit more into some of the stories that I have read someplace, I have no personal knowledge of this, about this Canadian group that somehow or other were loaning money to carry on the transactions and there not getting their amount of money.

This was told to Casey as I recall from what I read in October, and then he raised that question with Poindexter and others about this money.

Whether or not at that point he could have learned of the diversion, I don't know, but it would seem to me that if he were that involved to where he had a story from a third party that as head of the CIA he would have run it down a little bit more. I don't know.

Mr. STOKES. Sure. Well, I appreciate your testimony on that point. I think it will be helpful to us in trying to reconcile these differences.

Mr. Regan, during the period of time you were the Chief of Staff, after Poindexter and North had left the White House, did there come a time when there was a discussion with the President, when you were present, about congressional immunity for Colonel North and Admiral Poindexter?

Mr. Regan. Yes, there was such a time.

Mr. Stokes. And would that have been around approximately December 15th, 16th?

Mr. Regan. I think even earlier than that—probably around December 8th, 9th, or 10th, in through there.

Mr. Stokes. I see.

Mr. Regan. I recall discussions of that.

Mr. Stokes. And who was present at that time?

Mr. Regan. Well, I remember one discussion among the President, the Vice President and myself regarding this as to how to get the full story out. Both the admiral and the colonel were refusing to talk. We had said we didn't know the story, couldn't find out the story, granted, the Tower Commission was working but still in an effort to hasten this, I believe the President did suggest publicly some time in the period to which I referred that either the Senate or the House or both intelligence committees should give limited immunity to both of these witnesses or to either one of them in order to get a story out.

But both of the committees, the House and the Senate Intelligence Committees, said, no, they didn't want to do that, that it wasn't the proper time.

Mr. Stokes. Now, at either that particular meeting or any other meeting, was the question of Presidential pardon for either Admiral Poindexter or Colonel North ever discussed with the President?

Mr. Regan. Yes, it was.

Mr. Stokes. Can you tell us when that was?

Mr. Regan. Yes. Somebody brought it up to him got shot down right away. That was something the President wouldn't even listen to, the fact that he should grant a pardon. His reasoning went along this sort of line, to grant a pardon means you think somebody has committed a crime; you only pardon for a crime.

And he didn't know what the crime was. As yet, there had been no evidence brought to him, the Tower Commission report was not out, the independent counsel had been put in being, but he had no report, obviously neither the Senate nor the House Intelligence Committees had finished, let alone the fact that this committee would be set up, so the President said not only is it premature, but I will be darned if I am going to accuse them of a crime in advance.

Mr. Stokes. Was that the extent of the conversation that day, as you recall?

Mr. Regan. It never came up again. He put his foot down hard, and it never came up again.

Mr. Stokes. You testified yesterday that to your knowledge the President did not know that the CIA was involved in the November 1985 HAWK shipments; is that correct?

Mr. Regan. That is correct.

Mr. Stokes. All right. If he did not know, do you believe that he would have or should have signed a Finding retroactively approving something he did not know anything about at the time?

Mr. Regan. Well, as I said, I still am a little bit imprecise about that Finding; (A) that there was a Finding, (B) that he signed it.

There is no such document. There is a draft document, I know, but I have never seen the final document with his signature on it.

And I am unable to state whether he should have done it retroactively or not.

You know the curious thing about that, Mr. Stokes, is that we had quite a conversation on December 7th, in the quarters among the leading players in this affair, and there was discussion of a Finding, and operating under a Finding, and yet no one at that meeting brought up the subject that the President had already signed the Finding.

I find that very curious, that—I have racked my brain about it, I have read the testimony of witnesses before this committee who participated in that meeting and as yet nobody has said that anybody said, whether it was Poindexter, McFarlane or anybody who would have known of the President signing that would have said, hey, we have already got a Finding.

Mr. STOKES. I think some of us find that testimony rather curious, also.

Mr. REGAN. I am at a loss on that one.

Mr. STOKES. Finally, let me just offer an addendum to the colloquy you had yesterday with Mr. Hyde with reference to the precedent established in terms of Chiefs of Staff testifying before the Congress, and I think your recollection was that Sherman Adams was the only exception.

Mr. REGAN. May I correct something? We got a phone call at my office saying Mr. Haldeman had also testified.

Mr. STOKES. That is correct. When you said that yesterday it struck me, and I had an opportunity to check it last night.

Mr. REGAN. That shows, you know, if you have got a good staff.

Mr. STOKES. That is right. Thank you very much.

Thank you, Mr. Chairman.

Chairman HAMILTON. Senator McClure.

Mr. MCCLURE. I want to refer back to a series of statements and a press conference question and clear up what may be an ambiguity. Yesterday, Senator Cohen in his test—in his questions to you had referred to a statement that the President had made to Mr. McFarlane expressing the displeasure that the Israelis had gone ahead with an arms shipment prior to any approval by the United States.

And he asked him to convey that to the Israelis, and your response to the question that he had had asked was, yes, that indeed was correct. John Poindexter said that in the meeting on November 10th he reported in that meeting that the Israelis went ahead without our prior approval.

That also was covered by Senator Cohen's question. And I think yesterday Mr. Smiljanich also asked a question about that and your response was affirmative, that the President did not know prior to the shipment of TOW missiles that Israel intended to do so.

That is on page 30 of your testimony yesterday. So we have several different markers down that—I think at one time you said, if I recall correctly, at the August 6th meeting the President had expressed concern about the Israeli shipment of arms.

So we have several different markers about that. Yet on the press conference—the President's press conference on November 19th, if you care to refer to it, that is exhibit no. 48, page 1587, of that Presidential document, the question was asked this way by Andrea Mitchell.

"Mr. President, to follow up on that, we have been told by the Chief of Staff, Donald Regan, that we condoned this—we condoned, this government condoned an Israeli shipment in September of 1985. It would appear that his recitation is contrary to testimony of yourself, of John Poindexter, and references to Mr. McFarlane's testimony, all differing from the background which she stated in her question to the President on November 19th. Can you help us clear that up?

Mr. REGAN. I hope so, Senator.

The use of the word "condone," I take it to mean exactly what I testified to yesterday. That is, the Israelis did it without our knowledge, but once they had done it, we did not then go back and make them undo it or in any way condemn them for it.

And by the fact that we didn't protest except privately for McFarlane to his contacts, whoever that might have been, we didn't make a big deal out of it or a big case out of it, and I think that is why the use of the word "condone."

Mr. McCLURE. It did not intend to imply we had given prior approval?

Mr. REGAN. No. And you will recall that later we did refurbish their supply.

Mr. McCLURE. Well, again, referring to your testimony yesterday on page 30, when Mr. Smiljanich was asking the questions, Mr. Smiljanich said what was said at that meeting in September of 1985 about the replenishment of the missiles that Israel had shipped to Iran, and your answer was, and I quote, "The President was quite upset that his hand was being forced in this way. He still wasn't certain, because he had told McFarlane in the August 6 meeting to go slow on this and let's make sure we know who we are dealing with before we get too far into this, as a result to have his hand forced that way was quite upsetting, and he said as far as any replenishment is concerned, we will cross that bridge later. I am not going to do anything about that now."

Mr. REGAN. That is correct.

Mr. McCLURE. And the President was upset?

Mr. REGAN. Yes, he was very upset.

Mr. McCLURE. What do you mean by the Israelis having forced his hand that way?

Mr. REGAN. Well, they had gone ahead and made an initial transaction in this channel and were drawing the U.S. Government into it, because they shipped these arms. Weir came out—the deed was already done, and we really hadn't had time to put this whole matter before an NSPG, or what have you, and go over it in any detail. They did it for us without our advance, our knowledge in advance.

Mr. McCLURE. And we did later agree to the replenishment.

Mr. REGAN. Oh, yes.

Mr. McCLURE. There is one other little fact that ties in with that that might help us if we get it into some kind of perspective, and that is later on when the Israelis were trying again to get us to go forward with this project, they offered, even though we had agreed to the replenishment, they said "Go ahead, if it doesn't work, we will even give up on the replenishment of the 500 TOWs, the initial shipment, which would indicate to me that maybe they hadn't really expected to get replenishment.

Mr. **Regan**. I can't offer any additional information on that, I don't know.

Mr. **McClure**. At the beginning they had no approval——

Mr. **Regan**. As far as I know, they had no approval or no assurances that if they did it, it would be replaced.

Mr. **McClure**. And even after there was an agreement for replenishment, they offered to go ahead without replenishment.

Mr. **Regan**. That is a fact I learned later. I didn't know that at the time.

Mr. **McClure**. Let me refer you to exhibit no. 41A, if you will, for a moment at page 10, of exhibit 41A, which is I think your notes of the meeting on November 10. I refer you to what Secretary Shultz said, and I would—well, I will just read from your notes on that page, and this is referring to what Secretary Shultz said at that meeting: "Thinks Israelis suckered us into this, so we can't complain of their sales." Do you remember that conversation?

Mr. **Regan**. Yes, I do.

Mr. **McClure**. What was it he said? Is that all of what he said?

Mr. **Regan**. That is my interpretation. I don't think the Secretary actually used those words, but I at times talk and take notes in the vernacular. His point was that since the Israelis were so close to us in this deal and they, in point of fact, were already shipping arms to Iran, we could not consistently agree in private with them to be a participant in that and then publicly condemn any arms shipments they might be sending to Iran.

I don't think it is a top secret that the Israelis seem to, in one type of deal or another, to favor Iran over Iraq in that current conflict.

Mr. **McClure**. You were careful to say you were not sure those were his words, but I refer you back to exhibit no. 41, which is Al Keel's notes of the same meeting.

Mr. **Regan**. Did he use the same words?

Mr. **McClure**.—and he uses precisely the same words.

Mr. **Regan**. Then I think the Secretary must have said it if two of us recorded it that way.

Mr. **McClure**. You are an accurate reporter?

Mr. **Regan**. Better than I thought.

Mr. **McClure**. Do you recall, in discussions that you had or in which you participated, who set the price for the missiles sold to Iran?

Mr. **Regan**. The price was never discussed in front of me, I never knew the cost of a TOW, 500 TOWs, 1,000 TOWs, nor did I ever hear anyone talk about the cost of spare parts.

Mr. **McClure**. Now, you indicated, I think, in some testimony yesterday that you were really a little concerned about the fact that large profits had been made, and yet, if I recall the testimony, it was Mr. Ghorbanifar who first said what the Iranians would be willing to pay and the Israelis who had first charged that price and the Israelis who had first diverted money from the sale to other purposes. That was in their sales, not ours. Were you aware of those facts?

Mr. **Regan**. I have no knowledge of that at all.

Mr. **McClure**. If you had been aware of those facts, and if indeed they are facts, and I believe that there is a record before us that they are, but there may not be conclusive evidence, but if those were facts, the Israelis took the price that was established by Mr. Ghorbanifar as the price the Iranians would be willing to pay, had charged that price and a little bit more, as a matter of fact, and then had diverted the proceeds to other uses, would that have made the rest of the pattern that evolved over the next several months look more predictable or less understandable?

Mr. **Regan**. I think had we known that at the time, we would have blown a whistle right away because—what is this, what is going on here, how come we have people making a profit in here on this deal? This was not supposed to be that type of deal. I think we would have looked at it a little more closely.

Granted, again, I am sitting here a year or more after the fact looking at it through a different pair of eyes. But I—any time something of this nature has ever come up involving money, I have always been very cautious, I want to know who is getting paid for what. If there is somebody making a profit on it, let's be careful.

Mr. **McClure**. Mr. Chairman, I see my time is up. Mr. Regan, let me compliment you for your testimony; it has been very helpful to the committee. I think it has filled in some gaps and corroborated some details; it has been very useful to us.

If I might, Mr. Chairman, just in closing, I noted yesterday Congressman Hyde had said we are sitting in judgment on the executive. That, in part, is true. But I think in a much larger sense, the Congress is also being judged by the American people. So I don't think it is just the executive that is being judged; I think we are, too.

Thank you very much.

Chairman **Hamilton**. Mr. Boland, 10 minutes.

Mr. **Boland**. Good morning, Mr. Regan.

Mr. **Regan**. Good morning, Mr. Boland.

Mr. **Boland**. I'm interested in the tone and substance of the discussion that must have taken place between the President, the Vice President, the Attorney General, and you in the Oval Office on the morning of Tuesday, November 25, 1986. This would have been prior to the meeting scheduled with Admiral Poindexter, who was to join that meeting perhaps an hour, or a half hour after the first meeting.

Did the Attorney General provide any summary on his inquiry, what he had uncovered or what was left to do with respect to his inquiry? His inquiry started, as you know, on the 21st. Here you're meeting on the 25th, and I was wondering whether or not the Attorney General gave you any summary of that inquiry at that meeting.

Mr. **Regan**. Well, he went over again, perhaps in more detail, what he had told the President and me the previous afternoon about the diversion of funds. I think he was repeating it to make sure that the Vice President was fully filled in, had the same amount of knowledge as the President and myself, although he had talked to the Vice President on Monday afternoon also.

Then we went into matters of procedure: where do we go from here? We were talking about having leaders of Congress down. They were questioning me as to, had we notified the various leaders we wished to speak to and could they come? Then we went on to discuss the press conference and the mechanics of how that would be handled in revealing this. And then we got into a matter of discussing the commission and how that would be set up, and I was explaining more in detail my thoughts of the smaller three-man committee rather than a 17-member committee, and the like. So we consumed a half hour pretty quickly that way, and then it was time for Poindexter to come in.

Mr. **Boland**. You had already discussed with or advised Admiral Poindexter to resign, had you not?

Mr. **Regan**. That's correct.

Mr. **Boland**. And there was a discussion, I take it, in that meeting of that incident among the four of you?

Mr. **Regan**. Not very much discussion. I told the others that I had—how will I put it—made a suggestion to Poindexter that he have his resignation with him when he came in, and I told the President that I anticipated he would so the President could expect it and be prepared for it.

Mr. **Boland**. Did anyone suggest that since Admiral Poindexter would be joining the meeting within a relatively few minutes, some additional questions might profitably be asked about the operation of the diversion plan?

Mr. **Regan**. No. Because you will recall that at that point in time, two of us, both the Attorney General and I, had been told by Admiral Poindexter that if this was more or less a failure to supervise rather than his having any knowledge of the diversion.

Mr. **Boland**. Was there any discussion of bringing Colonel North to the meeting so that questions might be asked of him?

Mr. **Regan**. No, sir.

Mr. **Boland**. As I noted yesterday, that you indicated that perhaps there was someone in the NSC who was familiar and deeply involved in the technical details of the diversion. Would that have been Colonel North?

Mr. **Regan**. Yes.

Mr. **Boland**. Now, in your testimony yesterday, Senator Mitchell—in response to a question by Senator Mitchell, you gave an opinion as to Admiral Poindexter's credibility. I want to ask you another question in that area because it has been widely reported that some in the administration, for instance, Larry Speakes, when he was the President's spokesman, felt that the admiral had been on occasions less than forthcoming with him and others.

Did you believe while you were Chief of Staff that the admiral ever misled you?

Mr. **Regan**. Apart from this Iran-Contra, which in retrospect I think he did mislead me, I know of no other instances.

I have to explain something to you regarding Mr. Speakes' remarks. There were times when the admiral had to be very careful because he was dealing with sensitive foreign policy affairs or with ongoing affairs involving intelligence gathering, and he had to be extremely careful of how much he told Speaks because whatever he told Speakes, naturally Speakes was authorized to give to the press, and there are many times when, for those reasons, you want to not tell everything that you know or how you got to know it.

Mr. **Boland**. In your deposition, you indicated that you learned of the existence of the NSC chronology on November 19, 1986. You asked for a copy of it on the 20th and it was provided by Admiral Poindexter to you on the 21st. Later that day, on the 21st, Admiral Poindexter asked that the chronology be returned for revision and you did not comply. Why?

Mr. **Regan**. First of all, I had turned it over to the President's counsel and told him to take a close look at it. He gave it a cursory going over, and when I got back from some other meeting I had attended, he said to me, "This doesn't hang together, Don, be careful." I said, "You hang on to that and check it out."

So when Poindexter asked, I did dissemble with him. I said, "I can't find it right now, John. I'll get it to you at an appropriate time." I let time expire and went home without giving it to him.

Mr. **Boland**. So I take it that you were not concerned that changes might have been made to conceal the facts if you returned it?

Mr. **Regan**. Well, what I did know—I knew something was wrong, but what I didn't know, and that's what I was trying to find out, and I was afraid if I let the document go back again, I won't be able to see all the facts on several pages.

Mr. **Boland**. Mr. Regan, you took pride in your efforts to put the best light on events that some might have otherwise interpreted as being adverse to the administration's interests. To do that successfully, I assume that you had to be in full possession of all the facts so that you could determine which would be most helpful to make in the administration's case.

When you learned of the diversion, why didn't you go to North and Poindexter and ask for a full account of the facts so that you would know how far the damage might go?

Mr. **Regan**. Several reasons——

Mr. **Boland**. Let me ask. One of the reasons I ask that is because I'm looking at a statement that you made to the *Washington Post* on February 28 of 1987. I'm quoting: "Some of us are like a shovel brigade that follows a parade down Main Street cleaning up."

Mr. **Regan**. I was wondering when that would be brought up. I almost got away with it.

Mr. **Boland**. You also indicated that if you are going to put a spin on something, you have to have all the facts to know which way to spin it.

Why didn't you ask Colonel North or Admiral Poindexter for all the information with respect to the diversion?

Mr. **Regan**. Well, my reasoning at that time was that there was a criminal investigation under way. For me to put myself into that, I thought that was inappropriate.

Secondly, we had nominated a commission, an independent commission to look into all of these facts and to gather the facts. Accordingly, for me to sit there as interrogator questioning these people didn't seem appropriate, so I didn't. I didn't feel that was, you know, the thing to do, and the President had set up two other avenues and there was a possibility of an independent counsel.

Mr. **Boland**. There was some indication in an editorial I read today that you had the keys to the palace. You were not the only one that had the keys to the palace, were you? I take it that the National Security Adviser had the keys to the palace too, because he didn't have to go around you to get into his majesty's room, did he?

Mr. **Regan**. It depends upon what you mean by the keys to the palace. I've seen——

Mr. **Boland**. That's access to the Presidency.

Mr. **Regan**. I've seen reports in the press today about the fact that I wasn't what I seemed to have been and all that type of stuff.

Again, I repeat what I tried to make clear yesterday. Although some people find it hard to imagine it, and that is that there are really two staffs in the White House. There is that National Security staff, which services the National Security Council, comes under the National Security Adviser; it does not and has never, except in the person of Richard Allen for 1 year, reported to the President through anybody. It didn't in previous administrations. The National Security Council is a separate organization. I did, and was Chief of Staff of the White House staff running the West Wing. That's what I tried to do. So as far as access to the President is concerned, yes, I controlled access to the President, but as I testified yesterday, there were five people who had freedom to go in and out of the Oval Office as they needed.

Mr. **Boland**. Thank you very much, Mr. Regan.

Chairman **Inouye**. Senator Nunn.

Mr. **Nunn**. Thank you, Mr. Chairman.

Mr. Regan, we were talking yesterday about your notes, and I refer you to your notes of the November 10 meeting, which I believe is exhibit 41A, if you would take a look at that, it is page 13. Have you got that page 13 there?

Mr. **Regan**. I do.

Mr. **Nunn**. Sir, if you could look down at the bottom of that page, "pres" is the President, is that right?

Mr. **Regan**. That is correct.

Mr. **Nunn**. Could you just walk us through those last three or four entries down there telling us what you mean by those notes, where it says "George and the President," "George and the President."

Mr. **Regan**. George, referring to Secretary Shultz, is talking here about how do we handle the matter from a public point of view, and what the President is saying, that what he should say in public is that he supports the present policy, all of us should say that.

Policy, quite obviously, as I explained yesterday, were the four points: one, contact with Iran because of its geographical and geopolitical importance; two, the question of making certain that it was neutral if not anti-Soviet; three, that—to get the Iranians to use their good graces to reduce terrorism; and four, to see what they could do, if anything, about contacting the kidnappers to get our hostages back.

That was the President's policy. But he said—notice the President says "say nothing else because there is danger to the hostages," in other words, don't get on and speculate, stick to that.

Mr. Nunn. OK. That takes us down to the next sentence, and I am really interested in the last two or three sentences if you could just tell us what George said and what the President said there and what they meant by that. If you could perhaps read those last couple of entries.

Mr. Regan. There is a misspelling here. I think that is what has happened. I am not such a great notetaker.

George says, "I will support and have always supported the Iranian long-range policy of contact with Iran."

And then he says, "I have never supported, there is no support—" —I spelled "no" k-n-o-w; I should have spelled it n-o—"—no support for weapons for hostages."

That is Shultz defending or explaining or restating what was well-known to us, that he did not support that policy.

Mr. Nunn. So that is entirely consistent with his other statements.

Mr. Regan. That is correct.

Mr. Nunn. How about that last entry there, is that the President?

Mr. Regan. The President again.

Mr. Nunn. Could you just read that and tell us what it means.

Mr. Regan. "The side with military superiority will win. We want to have things even. This helps Iran which was the weaker of the two sides."

In other words, in the Iran-Iraq war, our policy was and, as far as I know, still is that that war should end in a stalemate, neither side being the winner, try to get it to a halt. But if one side has military superiority over the other side, obviously it is going to win.

Mr. Nunn. Well, my problem with that is that the wrong side was the one the President used there. That was not the position of our government. Our government's position, and I went over this with Secretary Shultz, was that the Iraqi side was deteriorating and that the Iranian side had the long-range advantage, and this is November the 10th, this is just 4 or 5 months ago, or at least 6 or 7 months ago, and this is November 10, 1986, where you have the President of the United States saying that he believes the Iranian side is losing. Is that right?

Mr. Regan. That is correct.

Mr. Nunn. Did anybody correct him in that meeting?

Mr. Regan. No. Because Shultz immediately picked up that he wanted things kept in channels, that is, the State Department should be running the Iran endeavor, and it shouldn't be run out of the NSC.

Mr. Nunn. We had Secretary Weinberger at that meeting; is that right?

Mr. Regan. I believe so.

Mr. Nunn. Secretary Shultz was at that meeting?

Mr. Regan. Yes, he was.

Mr. Nunn. You had the Vice President at that meeting.

Mr. Regan. He was.

Mr. Nunn. Director Casey at that meeting?

Mr. Regan. Yes.

Mr. Nunn. I believe you were at that meeting?

Mr. REGAN. Yes.

Mr. NUNN. Of course, these were your notes, obviously. Admiral Poindexter was at that meeting?

Mr. REGAN. And here you have the President of the United States giving what is essentially erroneous policy in a policy statement, it wasn't a small detail, it was a question of who our government believed was winning that war. And he was stating what the Secretary of State has testified before this committee was not the policy of the United States and what we have classified reports from the whole community, including intelligence, including Defense, including State saying exactly the opposite of this, and the President makes this statement which is obviously fundamentally conflicting with the policy of our—supposed policy of our government and nobody corrects him; is that what happened?

Mr. REGAN. As far as I know. My notes don't reflect anyone having corrected him.

If, indeed, that was the fact. I don't know that that was the fact.

Mr. NUNN. Well, if I am correct, that the policy of the U.S. Government then was that the Iraqis had the long-term problem and that their position was deteriorating, don't you find it alarming that the President could be under a total misinterpretation of what the U.S. Government believed about that war?

Mr. REGAN. Well, there is a lot of this that is classified information, I am not sure I want to discuss it in this meeting, Mr. Chairman. But I would take issue with some of the things you have just said, but only from a classified point of view.

Mr. NUNN. Were you under the impression that the Iranians were deteriorating and losing the war?

Mr. REGAN. I have a problem here, Mr. Chairman. This is very sensitive, classified material that we are discussing here in public.

Mr. NUNN. I have been given—Mr. Chairman, I have checked with the State Department very carefully on this, and I know exactly what is classified, and I know what is not.

I won't push Mr. Regan on this, but it is not classified that the U.S. Government position at that time was that we felt the Iraqi position was deteriorating. That is not classified.

I found this very, very disturbing, that we could have this kind of fundamental misunderstanding by the President on an issue this key and obviously very much in his mind, and obviously very much of the policy. I just suggest to you, Mr. Regan, that was November 10, 1986, and 4 or 5 months later we were basically agreeing to flag Kuwaiti vessels, which is a tilt towards Iraq and here the President is on November 10, 1986, saying we had to help the Iranians because the sides weren't even.

Mr. REGAN. Well, that's trying to keep things evenhanded, Senator. You see, we can't help one side or the other. If we give help to one, we have to give help to the other.

Mr. NUNN. Flagging vessels, shipping arms, is that a balanced foreign policy?

Mr. REGAN. As I explained to you, we want neither side to win, you can't help just one side.

Mr. NUNN. Mr. Chairman, I have no further questions.

Chairman INOUYE. Mr. Reagan, if you have any sensitive information which you feel will clarify the situation, we will be very happy to arrange to receive it in secure conditions.

Mr. REGAN. I would suggest, Mr. Chairman, that rather I who am not an expert in this that you might consider the next witness, Secretary Weinberger be alerted to this question and maybe he would want to discuss it with you as to exactly what the intelligence we were being furnished at that time was.

Chairman INOUYE. Your suggestion is very valid, sir. We will do so. Thank you.

Chairman HAMILTON. Mr. DeWine.

Mr. DEWINE. Thank you very much, Mr. Chairman.

Good morning, Mr. Regan.

Mr. REGAN. Good morning.

Mr. DEWINE. One of the things that I think has been very clear in this investigation is that the President did not get all the facts and that is part of the problem, or maybe it is the number one problem.

I think also that we could all agree that one of the main jobs of a Chief of Staff is to make sure that the flow of information goes to the President, that nothing impedes that; he gets the basic facts that he needs so he is the one who ultimately makes the decisions.

I wonder if you could, maybe based upon your experience in this case, based upon your experiences, Chief of Staff, White House Chief of Staff, give us a little advice and maybe give advice to future Chiefs of Staff and future Presidents, what can be done, or can it be done by a Chief of Staff, to ensure that Presidents get the basic information that they need so that the information flows to them.

Mr. REGAN. Except in this instance where there was apparently a deliberate effort to conceal things from the President, I know of no time during the 2 years that I served as Chief of Staff where there weren't basic facts given to the President.

Now, at times these were imprecise, they weren't filled, particularly when there is an ongoing situation—a plane is taken hostage, you're not sure what is going on, there are fragmentary reports. Obviously you can't give him all of the information.

But on the domestic side, if he is trying to make a decision that might involve, let's say the EPA, or might involve some aspect of the budget, or something of that nature, there is plenty of information given to the President that comes up through the Cabinet council system so that he does have enough information on which to make a decision.

Quite obviously, if ever again there were a situation in which a President does not get all the information because members of his staff conceal it from him, then he is at a real disadvantage.

Mr. DEWINE. I've got another question and I do want to move on, but in summary, you don't see any structural change that you would recommend to a President or to a Chief of Staff to avoid a situation that you have described where the President's one of his chief advisers, the NSC Adviser, withholds information?

Mr. REGAN. Except for the suggestion I made yesterday that the President's counsel be brought into any covert operation before it starts, before a decision is made as to whether we should go into one or not and also——

Mr. DeWine. The President's legal counsel?

Mr. Regan. The President's legal counsel. And also the paperwork flow in the White House, particularly where it involves sensitive, highly classified material, be restructured so that that has to flow from A to B to C, so that we are sure we know under what circumstances the President is getting it, how he is getting it, and what he does with it.

Mr. DeWine. Let me follow up with that if I could about a specific question about the legal counsel. It is my understanding in November of '86, Mr. Wallison was the White House counsel, is that true?

Mr. Regan. November of '86, yes, he was.

Mr. DeWine. What that means is that he is the President's lawyer?

Mr. Regan. That's right.

Mr. DeWine. In fact, the President is his only client?

Mr. Regan. That is right. Well, he has other responsibilities.

Mr. DeWine. But the President is his principal client, is he not?

Mr. Regan. His principal client, yes.

Mr. DeWine. If I could, I would like to read to you from the deposition we took of Charles Cooper, who of course is the Assistant Attorney General, was the Assistant Attorney General at the Department of Justice. This deposition was taken on June 23, 1987. I have a copy here, but I really—and I'll give it to you, but if I could just read it to you it might expedite things.

Mr. Regan. Please.

Mr. DeWine. Let me just set the stage, Mr. Regan, if I could. Mr. Cooper is being asked at the meeting, he is being asked at this deposition about the meeting in Poindexter's office that was called to go over Director Casey's testimony on November 20, 1986. Let me read now from the deposition.

"Question: Mr. Wallison, Mr. Wallison and his office, was not represented as you have testified.

"Answer: Right.

"Did you think it was odd that he wasn't there at that point?

"Answer: At that point?

"Question: Especially after the meeting 2 days before. Now, the meeting, of course, 2 days before was when Wallison had called all his counterparts together to basically complain, at least that's my understanding, about the fact that he was being cut out. You had the chief counsel of Justice, State, DOD, CIA and NSC, and he was complaining those 2 days before about being cut out from the process.

"Answer: Yes, by that time I was beginning to sense and certainly appreciate the fact that Peter Wallison was not a participant in this, did not seem to be at all included in this matter generally.

"Question: Was he basically being frozen out of this situation?

"Answer: I certainly understood that to be his view of it.

"Was it your view?

"Answer: It is obvious that he wasn't involved, so presumably conscious decisions were made not to involve him.

"Question: Did you think it odd that there was no one there representing Don Regan, his staff?

"Answer: Not particularly, and I really can't say it was odd that Wallison wasn't at this meeting, but I do think it was odd that he wasn't at any meeting other than the ones that he called to find out what was going on. It was quite clear that there was some kind of fissure between NSC and Peter Wallison of the White House counsel."

End of deposition, end of quote.

Now, Mr. Regan, did Peter Wallison express to you his feeling that he was being frozen out?

Mr. REGAN. Yes, he did on several occasions.

Mr. DEWINE. After he expressed this to you, the President's own lawyer saying, "I'm being cut out of this," what did you do to try to get him back in the ballgame—what did you do to try to get him involved so that the President would have the benefit of his own legal counsel at a very, very crucial time?

Mr. REGAN. I asked Poindexter to include him in whatever meetings he was having. He refused to do it. He said that he had plenty of counsel, he had Paul Thompson on his own staff, and he had opinions from the Attorney General regarding what he was doing so he felt that from a legal point of view, they had sufficient counsel.

And he went on to say that their problem was not with the law; their problem was in getting the facts themselves and the chronologies straight. It was not whether or not they were doing things legally or illegally.

Mr. DEWINE. Mr. Regan, you have been a chief officer of Merrill Lynch. You were a strong CEO there. You were a strong Cabinet officer, and contrary to the *Washington Post* this morning, I still think you were a strong Chief of Staff.

Why, at that point, when you knew things were very crucial, didn't you go down, and if I could use real blunt language, go down to Admiral Poindexter or over to his office and say, "Look, I don't care what you want. The President needs his lawyer. We have to get him involved in this. This is a crucial time. Things are going wild. We have got to get somebody here who can put this thing together, and the logical person is the President's lawyer"?

Mr. REGAN. At that point in time, the Attorney General got himself involved in it, and I felt that since the Attorney General was in there and he was personally checking on the facts, that that would be sufficient. We didn't have to have Wallison also at that point.

Mr. DEWINE. I appreciate that and I would wholeheartedly agree with you, once the Attorney General actually does get involved that that does the job and in my opinion it did do the job, but we have got a period of time prior to that, don't we, when this whole thing is breaking loose from the time of the election day, November 4, when the first article appears, you go to several meetings that you had, you go the meeting that I was talking about, it is clear that you have got a vacuum, a period of time that was a vacuum, and Wallison—he's just out of it, the President's own lawyer is not involved in this thing.

I admitted once Ed Meese got involved, things got better, but before he got involved shouldn't Wallison have been brought in in hindsight looking back?

Mr. REGAN. In hindsight definitely, but at that point in time we didn't realize the significance of the legal problem that was involved here as to whether or not Boland had been observed or breached.

We had no idea of the diversion of funds and whether there was a possible criminal act here or not. We had no idea that there was a tremendous legal problem involved.

Mr. DEWINE. But you were——

Mr. REGAN. I am talking now between the 5th, and let's say the 18th or 19th. Wallison did sit in on the briefings of the President for the, I believe he was there in the briefings for the press conference.

Mr. DEWINE. I appreciate your answer and again it is always easy for us to sit up here and criticize and hindsight is as Bill McCollum says 20/20. There is no doubt about that, I just think looking back and maybe for future reference that the President of the United States ought to have his legal counsel involved in decisions like this.

Mr. REGAN. I agree with you completely on that Mr. DeWine. As a matter of fact, I do hope that one of the outcomes of this, whether or not this committee recommends it that the current Chief of Staff and the future chiefs of staff would see to it that whenever there is a covert action of any type the President's counsel, in addition to whatever else is used, is brought into the discussions.

Mr. DEWINE. Thank you very much.

Thank you, Mr. Chairman.

Chairman INOUYE. Senator Hatch.

Mr. HATCH. Don, it is good to see you again. Nice to see you.

Looking back on this entire series of events, I think we all can admit there is certainly a lot that can be criticized and hopefully there are lessons that can be learned.

From what you have told us here, yesterday and today, it appears to me that your instincts and your advice were basically sound. You get the facts, get them out, that is what you wanted to do.

I think that was a correct and a very proper approach. And I'm looking back on it, and I ask this not in a critical way, but in the hope that we can perhaps learn from the past.

Do you think that maybe it was not a mistake to have taken another half day, even maybe a day to get more of the facts, and then it seems to me that the President along with you and the Attorney General at his side could have called on North, Poindexter and Casey and received basically the whole story?

So in retrospect, do you think that maybe the haste in calling a press conference was a mistake in the long run?

Mr. REGAN. You would have to assume at that point that North and Poindexter would have told the full and complete and true story.

Mr. HATCH. Sure.

Mr. REGAN. Even though they knew that perhaps they had done something wrong. I am not sure in view of what has happened—I don't want to impugn these two men because they always, as far as I was concerned, were honorable men, but it may be taking things a little bit too much for granted that they would have told the truth and nothing but the truth at that particular moment.

Mr. HATCH. OK.

I only have one or two other comments, I don't want to take all my time.

You mentioned David Fischer in response to some questions posed by Representative Brooks, and I am finding no fault with Congressman Brooks, he is a good friend and he took his comments out of news accounts.

Other than speculations by the press, do you have any evidence that Mr. Fischer was getting paid for arranging meetings at the White House for Mr. Channell's contributors or for anyone else?

Mr. REGAN. No, I don't. As I said yesterday, Senator, I was shocked to read that.

Mr. HATCH. Well, the fact of the matter is it isn't true but let's go a little bit further. I just don't want the wrong impression left on this record——

Mr. REGAN. I'm glad to hear that.

Mr. HATCH.—and I am sure you would agree.

Our committees have looked into this matter and it is my clear understanding that Mr. Fischer had no contact with or even knowledge of Mr. Channell while Mr. Fischer was working at the White House as an employee. Then after he left the White House, he did enter into a retainer agreement with IBC, but that retainer was for Mr. Fischer's work as a political consultant with a large number of issues, most of which pertained to domestic matters from what I understand.

Mr. Fischer did that work, and as I understand it, he was paid for it, but he was never at any time paid specifically for arranging meetings at the White House—not $50,000 as the news accounts have mentioned and as Mr. Brooks' question indicated or in any other sum.

In fact, Mr. Channell already had a clear opening and a close working relationship with the White House long before he met Mr. Fischer.

So I just don't want the wrong impression left here. I would think that you of all people would understand how allegations and false information in a few news stories can be very harmful and sometimes totally in error.

I think we all understand that, and I know that happened to you.

We have checked out Mr. Fischer thoroughly, and I know of no reason why he should be of any embarrassment to you or to the White House.

As a matter of fact, I understand he was personally asked by the President to help make the arrangements for President Aquino's visit to the United States last year, which he did without compensation and only on the condition that he be given none of the credit for it.

As I understand it, he gave up 3 months of his life to do that, and I think most people would agree he did a remarkable job.

I think that that experience reflects more accurately on Mr. Fischer's reputation than the wild speculation that has been reported about him in some aspects of the press in connection with his contacts with Mr. Channell.

So I wanted to clear that up because I think Dave served long and well down there and basically I think you had nothing but the highest opinion of him. If I don't——

Mr. Regan. That is absolutely correct. I always thought he was a great guy and he was tireless in his devotion to the President and the amount of time that he spent—weekends, nights, days, and so forth, accompanying the President no matter where he went, he went way beyond the normal call of duty.

Mr. Hatch. And he is a good family man—he's a young man with a family.

Mr. Regan. That is what I understand.

Mr. Hatch. I appreciate your clearing that up, and I wanted to clear it up because I think sometimes some of our elements of the press jump on things and misconstrue them and misstate them and sometimes tell downright untruths.

This particular matter has been filled with good reporting and bad reporting, but I have seen a lot of bad reporting on it.

Thank you, sir. I appreciate it and appreciate your testimony.

Mr. Hatch. Thank you, sir.

Chairman Hamilton. Mr. Jenkins for 10 minutes.

Mr. Jenkins. Thank you, Mr. Chairman, Mr. Secretary.

Mr. Regan. Good morning, Mr. Jenkins.

Mr. Jenkins. I only have a couple or three questions to clear up. It appears to me, from listening to all of the witnesses, including yourself, that the overriding concern really of the White House during this entire operation up to and until the diversion was discovered was to put the best light on the situation to prevent the perception from being that it was an exchange of arms for hostages. Would you generally agree with the concern——

Mr. Regan. Yes, the story wasn't known until about November 4th or 5th, and in the period between November 5th and November 24th, you are correct.

Mr. Jenkins. It appears to me from the various witnesses and the documents that everyone was concerned about making sure that as this story is released, we place the President in the position that he is not exchanging arms for hostages. Now—am I correct?

Mr. Regan. You are correct, but you have got to remember with a slight addition to what you just said because the reason we wanted to do that was because that was what the President actually wanted——

Mr. Jenkins. I understand that.

Mr. Regan.—the opening of the contact with Iran was his number one problem.

Mr. Jenkins. I understand that from your testimony yesterday, although you also indicated that obviously it developed into an exchange of arms for hostages, in fact.

Mr. Regan. That is correct. By October of 1986, it had dwindled into that.

Mr. Jenkins. Yes, sir. Did you ever talk with the admiral about it, since you have learned about the destruction of the December Finding. Was that the reason for the tearing up of that document?

Mr. Regan. I have not talked to Admiral Poindexter since on November 25th.

Mr. Jenkins. As you know, Colonel North has indicated that he was scheduled to be the fall guy. And when Admiral Poindexter did not speak up in behalf of Colonel North, but when this was discovered, at the time he talked with you, at the time he talked with the President, the impression that he gave was that he didn't really know anything about this except in general terms and that the operation was, in fact, one operated by Colonel North more or less alone. Is that the impression he gave all of you?

Mr. Regan. Well, I wouldn't say alone, but the impression was given that somebody else was doing this and North was responsible, he should have looked into it a little bit more, but didn't.

Mr. Jenkins. The admiral didn't speak up for Colonel North at that time at all?

Mr. Regan. No, I don't believe so.

Mr. Jenkins. He was letting him shoulder most of the responsibility?

Mr. Regan. Well, that was just the first—the first blush of this. That was in his conversations with me on the morning of the 25th and in the same morning with the President.

Mr. Jenkins. But he volunteered no support whatsoever for North at that time?

Mr. Regan. Well, except to say that he thought that whatever it was that North was doing, North was doing it with the purest of motives, that he was trying to help the Contras.

Mr. Jenkins. And when he said that he was doing it with the purest of motives, of course, at the same time, as he has testified here, he was calling the shots apparently for North?

Mr. Regan. Well, as I say, that I learned from this committee, from the testimony before this committee, and was quite surprised when I read it.

Mr. Jenkins. Let me ask you one thing that has always concerned me, as I know it has you, you have already indicated, the agreement that was entered into by Mr. Hakim on behalf of the United States and Iran. Admiral Poindexter testified that he took this agreement in to the President to get his approval and later relayed that approval back to the people in Iran.

Now, the nine points of the agreement, some of which were carried out, as a matter of fact later, and the translation of item three, which says, and this is the item that concerned you, and you indicated concerned the President later—"before executing item 4 below, Albert—Hakim—will provide the plan for the release of the Kuwaitis, the 17 people."

You indicated that when the President first learned of this he was shocked.

Mr. Regan. Yes.

Mr. Jenkins. Is that correct?

Mr. Regan. That is correct.

Mr. Jenkins. So your interpretation is that if the admiral mentioned this to him, he must have——

Mr. Regan. I don't know when the admiral actually did mention this to the President. I cannot envisage the President, as adamant as he was about not wanting to do anything to secure the release of any of those Dawa prisoners, that he would have agreed to this, and I am sure that the President would never have agreed to having one Albert Hakim, unknown to him, out making agreements with the Government of Iran.

Mr. **Jenkins**. So if, in fact, Admiral Poindexter showed these nine points to the President back in May of 1986, he must have skipped over this or——

Mr. **Regan**. Well, it certainly would not have been presented in the way that you just presented it, definitely not.

Mr. **Jenkins**. He would not have read it out like I read it out from the trans—from the agreement?

Mr. **Regan**. That is correct.

Mr. **Jenkins**. I mean I want to make sure that you understand I was not placing it in my language. I was reading Mr. Hakim's agreement.

Mr. **Regan**. I understand. I find that hard to believe——

Mr. **Jenkins**. I'm sorry.

Mr. **Regan**. I said I find that hard to believe—Hakim's testimony on that.

Mr. **Jenkins**. Well, I think that the admiral also testified that he did get the approval of the President on this; but you would find that hard to believe also, would you not?

Mr. **Regan**. Yes.

Mr. **Jenkins**. One other area. There has been a lot of discussion about what we can do to try to shore up some of the obvious problems between the executive branch and the legislative branch with leaks and to make sure that we do not repeat the mistakes that have been made here in the future.

But I keep trying to reconcile in my mind, it would make no difference whether or not we have 30 members of a joint intelligence committee or two members that are notified if, in fact, the National Security Adviser does not even share the information with the President. We would never know about that anyway, would we?

Mr. **Regan**. No, but I have to think that that is an aberration, that that would not be normal practice. I have to think that if there were a small group from this Congress who were discussing covert actions and were, by law or by practice, to be the ones to be told about covert operations, that information would deliberately be withheld from them—I don't think that would happen.

Mr. **Jenkins**. I agree with you, and I agree with you on the limitation that should be made as far as the legislative branch, as far as the number of people, but the problem I was trying to get to, how do we make sure that a National Security Adviser, or whomever, tells the President?

Mr. **Regan**. The only answer is a very simple one, pick the right people.

Mr. **Jenkins**. Thank you very much, Mr. Secretary. Thank you, Mr. Chairman.

Chairman **Inouye**. Senator Sarbanes.

Mr. **Sarbanes**. Thank you, Mr. Chairman.

Mr. Regan, I want to focus very quickly in the beginning on the December 7th meeting of 1985 when both the Secretary of State and the Secretary of Defense were very much against moving forward with any further measures with respect to developing this opening to Iran, and you were opposed, as well, as I understand it.

Mr. **Regan**. That is correct.

Mr. **Sarbanes**. The upshot of that meeting, though, was to send McFarlane to London at least to make one final exploration, is that correct?

Mr. **Regan**. As I understood it, as I recall it, it was to sort of wind it down.

Mr. **Sarbanes**. And McFarlane came back and reported that this thing was just out of the question, these were very sleazy characters, and we ought not to have anything at all to do with them, is that correct?

Mr. **Regan**. That is correct.

Mr. **Sarbanes**. Now in a matter of only a few weeks, the whole thing became alive again. In fact, you joined in the effort to resuscitate it, I gather, on the basis of the persuasion—persuasive case made to you by Admiral Poindexter, is that correct?

Mr. **Regan**. That is correct.

Mr. **Sarbanes**. Did you know at the time that there was the—I assumed you didn't from your testimony since you didn't know about the diversion, but you didn't have any inkling at the time that there was the possibility that the Iranian arms sales might provide moneys for the Contra operation and indeed for other operations as it was subsequently used?

Mr. **Regan**. I had no idea of that.

Mr. **Sarbanes**. Looking back on it now, do you have any sense that some of the motive force, the driving force to put it back into place may have come from those, Poindexter, North, others who saw in it an opportunity to create a fund that would be available to be used for other covert actions and in Nicaragua and elsewhere?

Mr. **Regan**. I am not sure that the extent of the knowledge or how much planning had been done about diversion at the time that we discussed this on January 7 in the NSPG.

I haven't examined the record, complete record before this committee. But I find it difficult to believe that between, let's say, December 10 or so, whenever it was McFarlane got back, and January 7 that the diversion scheme was concocted.

I think that may have come a little later or grown, may have been in somebody's mind, but it grew after that rather than before that.

There was certainly no discussion of that at the January 7 meeting.

Mr. **Sarbanes**. Now, let me ask you about your role as Chief of Staff and the relationship with the National Security Adviser. You spoke yesterday about that you weren't a supervisor because, and you reemphasized that point this morning saying there were two staffs in effect, and you said that your relationship was more of sharing or of liaison.

But my sense of it is that you didn't even have that. You, in effect, were frozen out here by Admiral Poindexter.

First of all, you said yesterday about the paper flow, "no, I tried to find out if there were any such papers because occasionally something would happen and somebody would say from the National Security Council, would say to the President: 'well, you remember we showed that to you or you remember you got that in your book,' and I would say hey, I didn't get that in my book—what happened? And they would say we just gave that to the President."

Now, this doesn't affect the access of the National Security Adviser to the President or the two staffs, but on a sharing basis, if that was to be the relationship, should not you as the Chief of Staff have known of the papers that were going to the President on which he was signing off?

Mr. **Regan**. Well, again this is a controversial item. Just how much should the Chief of Staff be told about sensitive information regarding other governments, things of that nature, that type of intelligence? I have discussed this with other Chiefs of Staffs. Some of them told me that when they were there they didn't want to know what was going on in the foreign area.

I found out though that Jim Baker, as well as Ed Meese, had attended meetings, all meetings, of the National Security Council when they were in office in the White House.

I felt that I should attend meetings, that I should keep myself briefed on it because not only did it enable me to carry on a better conversation or give better advice to the President, but it also, from scheduling points of view, I had to know what they were contemplating as far as possible Presidential movements, was he going to meet with somebody, would he going abroad, something of that nature.

So I tried to stay into that. Well, that became a little bit of a turf battle that I was considered a little bit pushy for wanting this type of information. And there were attempts made, successfully apparently, to keep things from me.

Mr. **Sarbanes**. Well, I am frank to say to you I don't see how you could do your job without this information. Let me give you just a couple of examples.

You said that when Poindexter was preparing the President for the press conference in the family theater that there were others in the room who didn't know about it; in other words, that he spoke in a circuitous fashion since he didn't want to reveal this information to other people, I take it.

Mr. **Regan**. That is correct.

Mr. **Sarbanes**. You said I think this sort of confused the Presidential mind as to what he could say and couldn't say and what he should say and what he shouldn't say.

Now, it is interesting because North sent Poindexter a PROF note which talked about the same problem, or the thing became so compartmentalized even North recognized it and this was about having someone talk to Shultz about what third country assistance approaches had been made.

Here is the Secretary of State who deals with these countries, approaches were being made to them by others in the administration and the Secretary of State didn't know about it.

Now, it seems to me that places him in an incredibly awkward position in dealing with these countries, and, finally he says, "Meanwhile"—this is North to Poindexter—"Meanwhile, I would recommend that you and McFarlane have a talk about how much Secretary Shultz does or does not know about third country assistance approaches so that we don't make any mistakes. At this point I am not sure who on our side knows what. Help."

Did you have a sense as you participated in some of these meetings that the meetings could not really function because the people involved didn't know the subject matter, matters were being withheld or concealed from them, the same sense you had at the Poindexter briefing for the press conference in November 1986?

Mr. REGAN. Well, I think I alluded to this earlier. There are times when you get into the foreign policy area or actions involving the collection or dissemination of information where few people understand exactly or completely what is going on. It's very difficult to brief the President with that happening.

For example, I don't wish to denigrate these people by my saying this, but we would have as interrogators or questioners of the President three people, perhaps some of them from the press office staff. They obviously didn't know all of the details. They were deliberately selected that way because, like members of the press, they didn't have all of the details, but they would be asking us the questions. We wanted to see how far the President could go in his answers. And, quite obviously, if he were incorrect, he would be corrected right there.

But later, and I am not here referring to the November 19th press conference, but many other press conferences, you would say to the President before he goes into the press conference, you could say only this much, remember, say only this much about that subject and no more, because we don't want to give away too much information. It is that type of thing.

The President always has that when he gets into a press conference.

Mr. SARBANES. I understand that, but it seems to me what was at work here was greatly in excess of that.

Mr. REGAN. Oh, in this case, yes, because you see quite obviously what I was driving at is Poindexter, North, and some others had knowledge of the diversion at that point.

Mr. SARBANES. That is right.

Mr. REGAN. And they weren't telling the President. And in an effort to keep that information from the rest of us, they were giving these convoluted answers.

Mr. SARBANES. In fact, they exchanged PROF notes in which North says: "I have no idea what Don Regan does or does not know re: my private U.S. operation," and then Poindexter, in responding, says: "Don Regan knows very little of your operation, and that is just as well", and then North went on, "And I asked him when McFarlane was going to go to Tehran whether there might not ought to be a meeting with the Secretary of State and Defense and the Director of Central Intelligence with the President," and Poindexter responded negatively, and he said, "I don't want a meeting with Ronald Reagan, Shultz, and Weinberger," the other two statutory members of the National Security Council.

It seems to me what happened in all of this, in effect, there was a junta within the Government of the United States. I mean, you had Poindexter and North and their associates, in effect, invoking the authority of the President of the United States freezing out the Chief of Staff, the Secretary of Defense and the Secretary of State and pursuing their own policy, policies which the President says if he had known about them he would have strongly opposed, and policies which you say that when you learned about them, you reacted with shock and horror.

And the real question is: What can we do to minimize the chances that this will occur? Now, you have said, well, you have got to get good people, but then everyone says well these were good people, but this was an aberration, but nevertheless we are left with this situation in which, in effect, the policy of the Government was being, had in a sense been taken over. A coup, in effect, had occurred in the White House, and, of course, the Chief of Staff was left there with this having happened under and around him, and according to your testimony, which I am prepared to accept, unaware that it was taking place.

Mr. **Regan**. Well, I think in the future, if you have legal counsel guiding any covert operation as a matter of policy, that this must do, and if there are to be funds involved, that there be a full accounting for these funds on a regular basis. And if you insist that the NSC not be an operating unit, that whenever there is to be a covert operation, it be run by the CIA or whoever, but not the NSC, and done in accordance with proper procedures, I think you could avoid this type of happening in the future. It will hobble the NSC to a certain extent, but I think there is a different between foreign operations and foreign policy.

Many people have said to me, "Well, if you do that, how could you in the future have a Kissinger go to China to open a door?" That's a big difference between that and a covert operation. I think that the President could use his foreign policy adviser as a messenger, as an scout, or for whatever purpose he wanted, but at the same time he would not be using an entire military staff in the field conducting operations. I don't think there is a need for that. That's why we have a CIA or a Department of Defense or a Department of State.

Mr. **Sarbanes**. Thank you, Mr. Chairman.

Chairman **Inouye**. Thank you very much.

The Chair recognizes Senator Heflin for 5 minutes.

Mr. **Heflin**. Mr. Regan, I had several questions, many of them have been asked, when I first started. I would like to make a comment.

I think that you have been right forthright, and it has been interesting to me that as you have testified, I don't believe that you have at any time, at least I did not hear it, use the words "I don't remember." You haven't used any words such as "It might have occurred, but I don't recall it" or that "My memory is not too good on the details of that incident."

Frankly, I have been impressed that some of the witnesses that have appeared before this committee have had a convenient loss of memory. I think you have impressed the vast majority of the members of the committee with your forthrightness and candor, and, in my judgment, your testimony and appearance here has removed the image that you were the fall guy, regardless of the origin of that term, or that you were the spear catcher or the goat.

And while realizing that the Tower Commission moved in a rapid period of time to make its report, did not have many of the witnesses that have appeared before these committees, and did not have a great deal of the documentary evidence that we have, nevertheless, in my judgment, I feel that the Tower Commission in its report did you a disservice.

I do have one question that I wanted to ask of you, and I don't think it has been brought out. That is, do you have any knowledge which would indicate that the Vice President knew or did not know of the diversion of funds from the sale of the arms to Iran to the Contras?

Mr. **Regan**. From all I gathered from his remarks on and after November 25, he had no knowledge of the diversion of funds.

Mr. **Heflin**. That is all, Mr. Chairman.

Chairman **Inouye**. The Chair recognizes Senator Cohen for his 3 minutes.

Mr. **Cohen**. Mr. Chairman, I am not sure after Senator Sarbanes' observation whether I should address you as Commandante Regan at this point.

Mr. **Regan**. I don't think he assumed I was part of the junta.

Mr. **Cohen**. You were the victim of it apparently.

You spoke briefly to Congressman Stokes about a Presidential pardon, a discussion of that and I think you indicated the President said that it would be assuming guilt before they were even accused and rejected it out of hand. Was there also a strategy session to seek congressional immunity as early as December of 1985 for the witnesses?

Mr. **Regan**. Yes, there was.

Mr. **Cohen**. Wouldn't that have been tantamount to a congressional pardon in advance?

Mr. **Regan**. I am not a lawyer, again, and I don't want to say as to what the legal position would have been regarding that. I would have to pass on that one.

Mr. **Cohen**. All right. When was the first time you learned Mr. Khashoggi was involved in the Iranian arms sales transactions?

Mr. **Regan**. Not until—I think it was the Tower Report.

Mr. **Cohen**. You didn't learn about it until then?

Mr. **Regan**. That is right.

Mr. **Cohen**. Had you heard his name with the same reaction that had been set off as Tiny Rowland's set off in your mind?

Mr. **Regan**. Oh, yes.

Mr. **Cohen**. As a matter of fact, you had when you were at Merrill Lynch dealings with Mr. Khashoggi?

Mr. **Regan**. My firm did, yes.

Mr. **Cohen**. I think I have asked you this before: is it fair to say Merrill Lynch is still bullish on Mr. Khashoggi?

Mr. **Regan**. You will have to ask Merrill Lynch.

Mr. **Cohen**. All right one final point—Senator McClure raised the issue of the Israeli role in this entire affair, and I think based upon your testimony it is that we were dragged into this fiasco by the Israelis, the President was angry, he told Mr. McFarlane to express his displeasure privately to the Israelis. Mr. McFarlane has testified on several occasions before the intelligence committees of both houses and also before this committee that the President's reaction was just the opposite, not only was he given authority, but the President was pleased with the success of the operation that culminated at least initially with the release of Mr. Benjamin Weir. And so the question I have for you: wouldn't the President's own notes help to resolve the direct conflict between Mr. McFarlane and your own recollection of the events?

Mr. REGAN. I don't know. I know that the President told me that he had searched his notes and whatever he had he had turned over to the Tower Commission, so——

Mr. COHEN. But they would be helpful in any event in reconciling this apparent disparity?

Mr. REGAN. I am not sure that he took notes of this, recall——

Mr. COHEN. If he did, would they be helpful?

Mr. REGAN. They might be.

Mr. COHEN. OK.

Mr. REGAN. He was in the hospital at the first meeting and had just come home from the hospital at the second meeting.

Mr. COHEN. But in any event, if we were angry in September with the Israelis, we were on board by November in 1985 with the acquiescence or authorization of the sale of the HAWKs and by December 7 we were signing retroactive Findings and by January 6 of 1986, unbeknownst to you, we were so enthusiastic that we cut out the Israelis and cut in Mr. Hakim and General Secord; is that right?

Mr. REGAN. That is right.

Mr. COHEN. Thank you.

Chairman INOUYE. the Chair recognizes committee counsel Thomas McGough for 5 minutes.

Mr. MCGOUGH. Thank you, Mr. Chairman.

Mr. Regan, I wanted to follow up, if I could, on a recommendation you made to Congressman DeWine and you alluded to, I believe, in an answer to Senator Boren, and also perhaps Senator Sarbanes, and that is White House counsel be involved in decisions on covert actions.

As I am sure you know, there are some who would suggest that the only thing that could be worse than having two attorneys involved in a decision would be having three attorneys involved in a decision, and under one view of the testimony we have received, there weren't too few attorneys involved but too many, no one of whom bore ultimate responsibility for identifying and resolving legal problems.

Could you take your recommendation one step further and assuming White House Counsel is involved in the process, tell us how the committee—I am sorry—how the President should structure the decisionmaking process to ensure that at least one person in the process is ultimately responsible for identifying those legal problems and bringing them forward and, if possible, resolving them.

Mr. REGAN. Well, I haven't thought this through to the extent that I have dotted every "i" and crossed every "t." But as far as having another lawyer in the thing, I have found from my Wall Street experience, if the other guys have got lawyers, you had better have one, too.

The President, I think, has to rely on his own counsel for advice as to whether this is a legal matter or not. He has the Attorney General, I grant you, but he wants to have—what I am suggesting here is an enhanced role for the President's counsel in which he would be following up on the intimate details of this.

I don't think you could expect the Attorney General who is administering a rather large department to be intimately following a particular covert operation from start to finish. But I am suggesting that the White House counsel should be the one—should be one of the ones involved in this.

He could at least hopefully spot any attempt by others to get off the base line and put them back on. He could make certain that if Congress were going to be notified within a particular period, that the Congress was notified, and to the extent that the Congress was notified.

In other words, you have a watchdog from a legal point of view.

To expect the National Security Council lawyer to do this, I think, is asking a little bit much, also, in the event that the National Security Council, again—or its National Security Adviser—was going to do something wrong deliberately. So how can the President protect himself is the question that was asked and that is where my suggestion comes that he should make certain that his own counsel is involved.

Mr. McGough. Well, the question is, in one sense, how can the President protect himself, but in another sense, how can one person in that process, or shouldn't one person in that process be identified as the person who has ultimate responsibility for flagging these legal issues?

In the January, 1986, period, which is a very critical time in this initiative, you had, at least under one view of the testimony, Judge Sporkin deferring to Attorney General Meese on the legality of the activity and Attorney General Meese essentially deferring to Judge Sporkin, and both of them to one extent or another relying on a prior opinion by Attorney General William French Smith in a different context. No one in that situation may have been ultimately responsible for stepping forward and saying this is a legal issue that we have to confront.

Do you see any way to resolve that?

Mr. Regan. I think there is a way to resolve it. I think it is an issue that if this committee doesn't choose to solve it, at least they should raise it as an issue and suggest to the executive branch it should solve it and come back with an answer.

Mr. McGough. Thank you, Mr. Regan.

Thank you, Mr. Chairman.

Chairman Inouye. We have 2 minutes remaining. The Chair recognizes Senator Sarbanes for the 2 minutes.

Mr. Sarbanes. Mr. Regan there was one question I didn't get to put to you.

Director Casey had an office in the White House complex. He is the first Director of the Central Intelligence Agency where that is the case.

Secretary Shultz suggested that at least the Secretary of State and the Secretary of Defense ought to have offices in the White House complex.

My question to you is, should the CIA Director have an office in the White House complex?

And then would you go on to address the other question as to whether the Secretary of State, Secretary of Defense, who have the national security responsibility, should have offices in the White House?

Mr. REGAN. Senator, let me be a little bit jocular here. If everybody who wanted a desk in the White House or an office in the White House got it, we would have a 10-story office building right next to the White House completely filled.

There are many Cabinet officers who think that they are divorced from the White House because they are not there every day. They sort of feel they are on outpost duty if they are three blocks away. I know this from experience of having lived and worked across the street from the White House in Treasury.

When Secretary Shultz was Secretary of the Treasury, he had an office in the White House as an adviser to the President. I think he is basing some of his suggestion on that.

From my point of view, I think each of them should keep his own office and stay out of the White House. And I think things would flow just as smoothly with proper liaison. I don't think the geographical location of the person is as important as the person's ideas and the person's thoughts being given to the President. And as long as he gets to see the President or gets into the process of helping to shape policy, his own location, I think, is immaterial.

Mr. SARBANES. Well, now, do you extend that to the Director of Central Intelligence?

Mr. REGAN. Certainly.

Mr. SARBANES. That he should not have been in the White House?

Mr. REGAN. I know of no other Director of Central Intelligence who had an office in the West Wing or in the EOB.

Mr. SARBANES. Thank you.

Chairman HAMILTON. The Chair recognizes Mr. Stokes and yields him 2 minutes.

Mr. STOKES. Thank you, Mr. Chairman.

Mr. Regan, a few moments ago Senator Cohen followed up on a question I posed to you earlier this morning about pardon and congressional immunity, and you have indicated to him there was a strategy around the question of congressional immunity; is that correct?

Mr. REGAN. I said that one of the strategies proposed in order to get this story out sooner was the question of congressional immunity, yes.

Mr. STOKES. All right. Can you tell us a little more about this strategy? Was the strategy that Members of Congress ought to be contacted with reference to their pursuing the granting of congressional immunity?

Mr. REGAN. As a matter of fact, Mr. Stokes, I believe that was done, that certain congressional leaders were contacted to see what the mood of the Congress might be regarding that.

Mr. STOKES. I see.

Now, was that done with any view in mind that the pursuit of congressional immunity might have some type of effect upon both Colonel North and Poindexter in terms of their attitudes?

Mr. **Regan**. I think the attitude was exactly what happened later, or what we believed would happen did happen. Once these two men did get a grant of immunity, they did testify before the Congress in this committee.

We thought they might do the same thing had the Senate Intelligence or the House Intelligence Committees granted that same immunity.

Mr. **Stokes**. It was felt they probably would not testify, then, let's say, before these congressional communities without being given this kind of immunity?

Mr. **Regan**. That was our understanding at the time, yes.

Mr. **Stokes**. Thank you very much.

Thank you, Mr. Chairman.

Chairman **Inouye**. Mr. Regan, we have come to the end of the day as far as your testimony is concerned. And on behalf of the committee, I thank you very much for assisting us in our investigation.

Do you have any closing statement you wish to make? Most witnesses have taken advantage of that.

Mr. **Regan**. No, Mr. Chairman. I think I'll spare you any more diatribes from Regan.

I think I do want to thank you and your cochairman for your courtesies to me, particularly in view of my throat. It was certainly nice of you to give me a reprieve last night.

I also want to take this occasion, although he didn't appear at the table beside me, to thank the attorney who helped prepare me, Mr. John Mintz, who is here behind me. Some people asked who the heck he was sitting there. He is a very competent former general counsel to the FBI.

And the only other thing I can say in conclusion, I want to thank the rest of the members of this committee for being so courteous, and I hope it doesn't get them into trouble, that they get to be known as regular fellows from the fact they can smile occasionally.

Thank you, gentlemen.

Chairman **Inouye**. Thank you very much.

Chairman Hamilton.

Chairman **Hamilton**. Mr. Secretary, the counsel wanted me to check with you. You have been very cooperative in making available to us your records. They did want to know if you had turned over to the committee all of your White House notes. Have you done that—to your knowledge?

Mr. **Regan**. To my knowledge, yes.

Chairman **Hamilton**. All right. Well, we appreciate that very much.

Let me simply join with the others in expressing appreciation for your testimony. I think you can tell by the reaction of the committee members that all of us are deeply appreciative for it.

You have had a most distinguished record of service to the Government and to the people, and we wish you and your family all the best.

Mr. **Regan**. Thank you, sir.

Chairman **Inouye**. Our next witness will be the Secretary of Defense, Mr. Caspar Weinberger.

We'll now stand in recess subject to the call of the Chair.

[Recess.]

Chairman INOUYE. The hearing will please come to order.

Our next witness is the Honorable Caspar Weinberger, the Secretary of Defense.

[Witness sworn.]

TESTIMONY OF HON. CASPAR W. WEINBERGER, SECRETARY OF DEFENSE

Chairman INOUYE. Thank you very much, sir.

The Chair recognizes House counsel, Mr. Eggleston.

Mr. EGGLESTON. Thank you, Mr. Chairman.

Mr. Secretary, before I begin asking factual questions, let me ask you, sir, do you have a position that you would like to tell the committee about on testifying about advice that you give and have given to the President of the United States?

Secretary WEINBERGER. Yes. I have always taken the position, and all the members here I think who have been on committees that I have testified to will remember it, that I don't discuss any conversations, any advice, any opinions, any meetings that I have had with the President. I have never done that until early this year, I guess it was. When—at the President's direction, I spoke very fully and very frankly of all the statements made in meetings with the President in connection with this specific matter and this is what I regard, I guess, as a one-time exception, because I do think that the conversations and the discussions the President has with his Cabinet officers or his other advisers, that he is entitled to have those kept confidential and only to discuss them if he wants to.

But he gave very full statement—very full directions to us and to me, too, to be sure that we talked about this thing fully and frankly and set aside all of the—what I might call the normal rules. So with that one-time exception in mind, I will be glad to be as frank as possible.

Mr. EGGLESTON. Thank you, sir.

Mr. Secretary, let me first being just briefly covering your background. You are a law school graduate, I understand.

Secretary WEINBERGER. Yes.

Mr. EGGLESTON. You served as the Director of the Office of Management and Budget?

Secretary WEINBERGER. That's right.

Mr. EGGLESTON. You have been the Secretary of Health, Education, and Welfare?

Secretary WEINBERGER. Yes.

Mr. EGGLESTON. Between 1975, or so, and 1981 you were out of government and in private industry?

Secretary WEINBERGER. That is correct.

Mr. EGGLESTON. Since 1981 you have been the Secretary of Defense; is that correct?

Secretary WEINBERGER. That is correct; yes, sir.

Mr. EGGLESTON. Mr. Secretary, the first thing that I would like to talk to you about is the draft NSDD, National Security Decision Directive, which took place in the summer of 1984. Before I get to that—that is exhibit 4 in your book, sir—before I get to that, this committee has heard testimony from Mr. McFarlane and others that in the late spring and summer of 1985, Mr. Ledeen was making various contacts with Israelis and others in order to pursue an opening or an initiative into Iran. I take it that as of the summer of 1985 you were not aware of the activities of Mr. Ledeen?

Secretary **Weinberger**. No. I never heard of him and I wasn't aware of it.

Mr. **Eggleston**. So Mr. McFarlane had not briefed you on whatever it was Mr. Ledeen was doing?

Secretary **Weinberger**. No.

Mr. **Eggleston**. Let me direct your attention to exhibit 4, which is the draft NSDD. Before I ask you questions about it, let me just ask you to tell us generally what a National Security Decision Directive is. What is its purpose?

Secretary **Weinberger**. This is a document of some formality and it is issued by the President and it covers rather detailed description of our policy, our strategy, our plans that we will be pursuing in connection with usually a broad issue of some national significance.

Mr. **Eggleston**. And this is a NSDD draft that related to a change in the U.S. Government policy relating to Iran; is that correct?

Secretary **Weinberger**. Yes.

Mr. **Eggleston**. Your comments about it are reflected on the front page. I think this indicates that you saw it on or about June 18, 1985.

Secretary **Weinberger**. This was submitted in draft form for our comments. It was not at that time issued.

Mr. **Eggleston**. Could you read from the front page what it was, your comments are?

Secretary **Weinberger**. Well, I commented that, "This is almost too absurd to comment on. By all means, pass it on to Rich."

This was a note to General Powell, who had sent the memorandum to me. He said, "By all means—should I send it to Rich Armitage for analysis?"

I said, "it is almost too absurd to comment on, but by all means pass it on to Rich."

"But the assumption here is that Iran is about to fall, and two, that we can deal with them on a rational basis. It is like asking Qadhafi over for a cozy lunch."

Mr. **Eggleston**. Sir, with that as your conclusion, could you describe what you perceived as the purpose of this NSDD and what your specific objections to it were?

Secretary **Weinberger**. The NSDD contemplated, as you said, a shift in the policy that would have us favor Iran rather than trying to maintain a neutral position. It talked about the desirability of an opening to Iran.

It talked about a time after Khomeini was no longer leading the country, and it talked about numbers of ways in which this might be done.

And I put in first that comment that I have just read at your request, and then later on a memorandum, a somewhat more formal memorandum back constituting the comments of mine that had been requested and——

Mr. EGGLESTON. I think—excuse me sir—I think your formal memorandum response is in there as exhibit 5.

Secretary WEINBERGER. Five is it? All right, sir. Yes.

Mr. EGGLESTON. Could you just describe for us specifically what you thought was wrong about this NSDD?

Secretary WEINBERGER. Well, the fact that it provided or it discussed the possibility of sending arms to Iran at a time when our efforts were being made all around the world to try to prevent other nations from shipping arms to Iran. I think I said in my response here that under no circumstances should we now ease our restrictions on sales to Iran, attempting to cut off arms while remaining neutral on sales to either belligerent—is one of the few ways we have to protect our longer range interests in both Iran and Iraq. A public—a policy reversal would be seen as inexplicably inconsistent by those nations whom we have urged to refrain from such sales and would likely lead to increased arms sales by them and a possible alteration of the strategic balance in favor of Iran while Khomeini is still the controlling influence. There were other reasons, of course, too.

I didn't think that the assumptions on which the proposed NSDD were based were in any way valid. I didn't think there were any moderates still alive in Iran, and I thought that it would be not possible to work out an arrangement with the present government there, and I still think that is correct.

Mr. EGGLESTON. I take it then, Mr. Secretary, that you rejected both the assumptions and conclusions out of this draft NSDD?

Secretary WEINBERGER. Yes.

Mr. EGGLESTON. Your response, then, was to send that memorandum, which is exhibit 5, to the National Security Adviser, is that correct?

Secretary WEINBERGER. That is correct.

Mr. EGGLESTON. Did you discuss this NSDD with Secretary Shultz at or about the time that you saw it?

Secretary WEINBERGER. Very likely, yes. We meet regularly, and I think that I did express a rather pungent opinion about it, yes.

Mr. EGGLESTON. And at that time, did he share your view as you recall?

Secretary WEINBERGER. It seemed to me that he did completely, and that was obviously borne out later.

Mr. EGGLESTON. Mr. Secretary, do you recall that in or about early August of 1985, at a time that the President was recuperating from surgery, that there was a meeting in the White House?

Secretary WEINBERGER. Yes.

Mr. EGGLESTON. Do you recall where that meeting took place?

Secretary WEINBERGER. That was upstairs in the residence, I believe, at the end of the long hall.

Mr. EGGLESTON. We have heard testimony from other witnesses about that particular meeting, and I would just like your recollection of the subject of that meeting.

Secretary WEINBERGER. Well, the subject of the meeting seemed to me essentially to revolve around whether or not the general conclusions stated in the draft NSDD, which I had objected to, should be adopted, whether that NSDD should be put into effect and that policy put into effect, and that was the general subject of the meeting.

Mr. EGGLESTON. As you had indicated, the NSDD itself makes reference to selling arms to Iran as part of the method of developing a relationship. Do you recall that aspect of the NSDD was discussed?

Secretary WEINBERGER. I believe it was, yes. I don't have notes about it, but my memory is that we went through the whole thing, and one of the objections that I raised was this precise point.

Mr. EGGLESTON. Do you recall that this meeting arose in the context of a discussion about selling arms in order to help achieve the release of the hostages?

Secretary WEINBERGER. Well, it was one of the arguments advanced, but not as a major point. The major point at that meeting, as I recall it, was this broad general policy change that was being suggested in this draft NSDD. I think the hostage thing was mentioned as a kind of incidental benefit that might come from a better relationship.

Mr. EGGLESTON. Was Mr. McFarlane the one who was advocating this change?

Secretary WEINBERGER. Yes, that seemed to me to be the case.

Mr. EGGLESTON. As of that meeting, I take it you once again expressed your firm view that it was not a good idea?

Secretary WEINBERGER. I did indeed, yes.

Mr. EGGLESTON. Do you recall the views of other people who were at the meeting?

Secretary WEINBERGER. George Shultz made exactly the same points with the same general vehemence that I did.

Mr. EGGLESTON. Was there anyone that you recall who was in favor of this kind of plan?

Secretary WEINBERGER. Well, it did seem to me Mr. McFarlane was in favor of it.

Mr. EGGLESTON. Do you recall any discussion of using Israel as a method of pursuing an initiative?

Secretary WEINBERGER. Not at that time, no. I don't think anything of that kind came up at that point.

Mr. EGGLESTON. Mr. Secretary, I take it that it is your conclusion that as of the end of that meeting in the residence, certainly the President had not as of that time approved a plan to——

Secretary WEINBERGER. No, I certainly didn't get that impression at all.

Mr. EGGLESTON. Did you have an impression of what his view was of the plan as of that time?

Secretary WEINBERGER. Yes. I felt that the arguments that I had made were basically congruent with his views at that time.

Mr. EGGLESTON. So by the time at the end of August of 1985, it was your view that this proposal in this NSDD had essentially dead?

Secretary WEINBERGER. I thought the whole thing had gone away, yes.

Mr. EGGLESTON. We will hear more about that.

Secretary WEINBERGER. Unfortunately, yes.

Mr. **Eggleston**. We now know in late August and early September of 1985 there was a transaction which involved Israel sending approximately 508 TOWs to Iran, and shortly thereafter there was a release of a hostage. At or about the time that occurred, were you aware of that?

Secretary **Weinberger**. No, I was not.

Mr. **Eggleston**. Did you have any knowledge that release of the hostage was related to the transfer of weapons to Iran?

Secretary **Weinberger**. No, I don't and I still don't know whether it was.

Mr. **Eggleston**. Excuse me, sir.

Secretary **Weinberger**. I said I did not then and I still don't know whether there was any connection.

Mr. **Eggleston**. Let me ask you about the time period in the fall '85. Did you during that time period receive an intelligence report that related to negotiations between American officials and Iranians?

Secretary **Weinberger**. Yes. I received an intelligence report which gave rather muddled and puzzling, ambiguous references to negotiations going on between high U.S. officials, as I think it was phrased, and Iranian representatives.

It also seemed to involve some discussions of potential arms sales or arms sales that were about to be made, things of that kind.

Mr. **Eggleston**. Do you recall whether it made any reference to the hostages?

Secretary **Weinberger**. No, I don't believe that they were mentioned. They could have been. This was a series of intelligence reports and they were garbled and sometimes tried to use other language to refer to hostages or to refer to weapons, things of that kind.

I think there could well have been references to hostages but the whole gist of it was that American officials were negotiating and discussing matters involving arms with the Iranian representatives.

Mr. **Eggleston**. As the Secretary of Defense, were you surprised to receive an intelligence report that seemed to indicate that American officials were negotiating about weapons with Iranians?

Secretary **Weinberger**. Indeed I was, yes.

Mr. **Eggleston**. When you first got the report, did you take any steps to follow up and see where the report had come from——

Secretary **Weinberger**. Yes.

Mr. **Eggleston**.—And why you didn't know more about it?

Secretary **Weinberger**. Yes.

Mr. **Eggleston**. What did you do?

Secretary **Weinberger**. Well, I talked with the Agency which was furnishing those reports, that had furnished those particular reports that I saw, did that through General Powell, who was my military assistant at the time, and the first report came back to the effect that this was a mistake, that we weren't on the distribution list and we weren't supposed to have this report.

Mr. **Eggleston**. Was this an agency which was within the Department of Defense?

Secretary **Weinberger**. It was indeed, yes.

Mr. Eggleston. And this agency reported back to the Secretary of Defense that the Secretary was not supposed to have received——

Secretary **Weinberger.** That was the first report we received, yes.

Mr. Eggleston. Did you give any advice back to that agency?

Secretary **Weinberger.** Yes, I did. I asked General Powell to remind the Agency for whom they were working.

Mr. Eggleston. As a result of receiving this report and as a result of your advice back to the Agency, did you begin to receive other reports?

Secretary **Weinberger.** Yes. Then I got a lot more reports and found the story continually and increasingly disturbing.

Mr. Eggleston. Did there come a time when you asked one of your assistants to follow up and determine whether or not——

Secretary **Weinberger.** Yes. I asked Mr. Armitage to try to identify some of the people who were referred to rather obliquely in some of these intelligence reports, find out who they were, and he was able to do that.

Mr. Eggleston. Mr. Armitage has testified in a deposition before this committee that he did follow your instructions and that at some point he called Lt. Col. North, arranged a lunch with Lt. Col. North on December 3d of 1985, and during the course of that lunch, Colonel North told him that indeed he was the American official who was negotiating with the Iranians.

I take it that Mr. Armitage reported that back to you?

Secretary **Weinberger.** He did, yes.

Mr. Eggleston. And as a result of that report, did you seek to have a meeting scheduled with the other principals?

Secretary **Weinberger.** I did. I asked for a Security Council meeting or Security Council Planning Group or meeting with somebody who could tell me what was happening and why it was happening.

Mr. Eggleston. In a moment, I am going to ask you about a meeting which took place on December 7. Is that the meeting which would have resulted from your complaints?

Secretary **Weinberger.** I believe it was. It was a meeting which fitted the description of the kind I wanted, yes.

Mr. Eggleston. Let me just ask you: in your exhibit book and I don't really need, I am sure you have seen these before, they are exhibits 8, 9, and 10, are three documents. We have received testimony both here in public hearings and also at depositions about these three documents.

Just generally to summarize them, they are documents that were prepared by individuals at the Defense Department in late 19—excuse me, late November of 1985 and early December of 1985. And they relate to various problems with providing missiles, both HAWKs and TOWs, to Iranians.

I think the problems they discussed are problems of leaks, problems of congressional notification and the first paper, exhibit 8 as well on page 2 lists a series of reasons why the policy itself is a bad idea.

Let me ask you: do you recall whether you had asked those documents to be prepared?

Secretary **Weinberger**. I don't know that I asked for them specifically, but we have a very fine department and when a meeting is called or is scheduled, why a number of people prepare a lot of papers that they think will be useful for me.

And I think in this case in some of them I asked to get some kind of background on what was happening and what might be discussed at the meeting and these papers were prepared I think either by Mr. Armitage or under his direction to prepare for the meeting, and we do this as kind of a standard practice in the Department.

Mr. **Eggleston**. And do you recall whether you saw these documents prior to the meeting on December 7?

Secretary **Weinberger**. I don't, but I may very well have. I very probably did. I don't have a specific recollection of it.

Mr. **Eggleston**. Some of these documents make a reference to specific amounts of weapons, numbers of TOWS, and various things. Did those numbers come from you?

Secretary **Weinberger**. No, they did not. I can only assume that in the preparation of these papers the people who did them had talked with someone in the national security staff and had been told that these would be the things that they would be interested in or alternately some of the national security staff would call sometimes from time to time and apparently had called during the fall asking questions about specific numbers of weapons and locations and how long it would take to move them and things of that kind.

I had not known about this, but that is not unusual in the normal course. There is a lot of discussion back and forth when security council people wanted to have some specific facts.

Mr. **Eggleston**. The exhibit which is exhibit no. 8 was an exhibit used during the testimony of Dr. Gaffney, which was public hearing testimony and he testified that he prepared that sort of November 19-20, around in there.

Secretary **Weinberger**. Yes.

Mr. **Eggleston**. The committee has also received testimony that on that weekend of November 23 and November 24, there was a shipment of 18 HAWK missiles from Israel to Iran.

This was a paper that was written immediately prior to that time.

Let me just ask you, did you have any knowledge that that transfer was to take place?

Secretary **Weinberger**. No, I did not.

Mr. **Eggleston**. And in addition there are various documents which are in evidence before the committee which refer to the Israeli desire and need for replenishment of weapons that the Israelis were sending.

Do you know that replenishment was an issue?

Secretary **Weinberger**. No, I have no memory of that.

Mr. **Eggleston**. Let me ask you, sir, if you could discuss with us and tell us what occurred to the best that you recall at this meeting of December 7—who was there, where it was, and what the issues were.

Secretary **Weinberger**. I think this meeting was in the White House in the Oval Office, I believe, and it could have been upstairs in the residence, I am just not quite sure at the moment, but the President was there, the Vice President, the Secretary of State, Mr. McFarlane, I believe, was there. And the general discussion was now more specific than it had been in August, and it was about a specific plan to transfer some weapons to the Iranians and why this would produce a good result.

There was much more discussion of hostages at this time but there was also discussion of how important it was to have an opening to Iran. And I made very strong objection to the whole idea as did the Secretary of State.

Mr. **Eggleston**. Now, do you recall any of the specific objections that you made to the plan?

Secretary **Weinberger**. Oh, yes. I ran through a whole group and raised every point that occurred to me, including the fact that we were at the same time asking other countries not to make sales of weapons to Iran, that there was no one of any reliability or, indeed, any sense with whom we could deal in Iran, in the Government, and that we would not have any bargain carried out, that if we were trying to help get hostages released, why there would be a real worry that the matter could not be held in any way confidential, that we would be subjected to blackmail, so to speak, by people who did know it in Iran and elsewhere, and that we had no interest whatever in helping Iran in any military way, even a minor way, and that in every way it was a policy that we should not engage in and most likely would not be successful.

Mr. **Eggleston**. Secretary Shultz has described your opposition at that meeting as quite forceful. Is that a fair characterization?

Secretary **Weinberger**. Well, I am afraid I argue that way about almost everything. I am told so, yes.

Mr. **Eggleston**. Let me ask you——

Secretary **Weinberger**. But I think that is entirely a fair description, perhaps an understatement.

Mr. **Eggleston**. Did you make any arguments about the effect of this on Operation Staunch?

Secretary **Weinberger**. Oh, yes, yes. I pointed out that we were—in fact, I think I quite recently returned from a trip in the course of which, as I did in all of the countries that I visited where we had some idea that the weapons sales might be made or being contemplated to Iran, had argued very strongly against it and that this would be totally inconsistent with that, and when it was known that it would be—make the United States look not very credible.

Mr. **Eggleston**. So you had personally been involved in Operation Staunch which is the effort to stem the flow of weapons into Iran?

Secretary **Weinberger**. Yes. We all were, yes. That was one of the basic assignments.

Mr. **Eggleston**. And it was your view this would certainly undercut your credibility if we went ahead with the sale.

Secretary **Weinberger**. Well, the country's credibility, yes.

Mr. **Eggleston**. Did you argue about what effect this might have on our allies in the area?

Secretary WEINBERGER. Yes. I thought that it would certainly cause a great deal of problems because we had denied weapons to Jordan, to Saudi Arabia, to a number of other countries in the area, we had refused to supply them and if it came out that we were supplyhng weapons to Iran, Jordan's mortal enemy, it would be a very damaging thing to us, that Saudi Arabia had a justified fear of Iran because of the type of leadership that was prevalent in Iran and Iran's geographical position and that this would hurt us with countries with whom we needed to have friendly relationships.

Mr. EGGLESTON. A moment ago, you indicated that one of the arguments that you had made was the possibility that the United States would be blackmailed. What did you mean by that?

Secretary WEINBERGER. Well, that people would say, unless you do thus and so forth or unless you continue to send us more weapons or unless you take various policy positions, we will take steps to have this matter become public and that that would put us in an extremely difficult position that we were subjecting ourselves to that by, or would be, if we engaged in a policy of this kind.

Mr. EGGLESTON. Do you recall making a legal argument as well?

Secretary WEINBERGER. Oh, I am sure I raised various legal points that some of the ways in which it would be done would not be legal, that is to say, first of all, we had full embargo against Iran at that time, I think still do, with respect to arms, that if we—any other—any country to whom we sold arms were under the same rules.

First of all, they had to agree they wouldn't re-export to anybody else and, secondly, they had to agree they would only be used for defensive purposes, self-defense purposes and that there was no way in which this kind of a transfer could be made if that particular act governed.

Mr. EGGLESTON. So your legal analysis led you to conclude you could not sell directly from the Department of Defense to——

Secretary WEINBERGER. Not under the Arms Export Control Act.

Mr. EGGLESTON. You couldn't do it to Iran and you also couldn't do it through Israel?

Secretary WEINBERGER. You couldn't do it through any other country because you would have a situation in which the required certificates would not be possible, that is, they were self-defense only or would only be re-exported with our permission if you used the Arms Export Control Act.

Mr. EGGLESTON. Do you recall who at the meeting, if anyone, was in favor of going ahead with this proposal?

Secretary WEINBERGER. Well, I still had the impression that Mr. McFarlane was—favored the transaction and I don't know of anybody else who was specifically in favor of it.

Mr. EGGLESTON. Do you recall what the President's reaction was?

Secretary WEINBERGER. My impression of the President's reaction was that he was against it and had come down—had decided not to do it. In fact, when I got back to the Department, I told General Powell I believe this baby had been strangled in its cradle, that it was finished. That was the strong impression I had from his comments.

As I remember, he indicated again a desire, which everyone shared, to have—first of all, a feeling that Iran was strategically located and a geographically important country, that we had had a good relationship with it under the Shah, that it would be very helpful to have that again, but we couldn't get it with this present government and that that was unfortunately we couldn't, therefore, have much hope of getting the hostages back, which the President was very concerned, of course, about the hostages.

He is a very compassionate, humane man and that was a source of great distress to him. But my strong impression was at the end of this meeting that the conclusion had been reached that we couldn't do this.

Mr. EGGLESTON. Mr. Secretary, let me just ask you about whether a couple of things were discussed to your recollection at this meeting. Was the November 1985 HAWK shipment discussed?

Secretary WEINBERGER. No, I don't believe so. I didn't know about that at that time, didn't know about it until much later.

Mr. EGGLESTON. You think if it had been discussed, you would remember it?

Secretary WEINBERGER. I think so, yes. I am not entirely sure. My memory is not as good as I hoped it once was, but I don't have any memory of that at this point.

Mr. EGGLESTON. And the other matter we have heard from Admiral Poindexter on or about December 5, 1985, the President had signed a Finding with regard to that November shipment, which would have been just 2 days before this meeting. Was there any discussion of that at this meeting?

Secretary WEINBERGER. No.

Mr. EGGLESTON. Mr. McFarlane, in testifying about this meeting, in front of this committee about this meeting, testified that after the meeting there was a decision about him going to meet Ghorbanifar in London. Do you recall that being discussed at the meeting?

Secretary WEINBERGER. I don't, no. I have read since a great deal about it but I don't have any memory at that meeting that was discussed.

Mr. EGGLESTON. And Mr. McFarlane has also testified indeed he did go the next day or so, met with Ghorbanifar and came back, there was an additional meeting on December 10 where he reported to the President on his meeting, his disappointing meeting with Mr. Ghorbanifar. Do you recall whether you were at that meeting?

Secretary WEINBERGER. I don't recall that. I may have been. I don't have any specific memory of it. Mr. McFarlane met with the President every day several times a day, and the meetings that we have been discussing that I did attend were larger meetings and called in advance and so on. It is conceivable, but I just don't have a memory of it at the moment.

Mr. EGGLESTON. So, sir, by December of 1985, to your mind, this issue had been raised twice, once in August of 1985, summer of 1985, and again in December of 1985, and you thought that at each time you had strangled the baby in its candle?

Secretary WEINBERGER. We thought the arguments against it had prevailed and that that was the end of it.

Mr. EGGLESTON. Let me move you to the meeting on January 7, then, where this issue reappears. Did you know in advance that this meeting on January 7 was going to deal once again with the Iranian initiative?

Secretary WEINBERGER. I don't know whether I did or not. I don't think I did. There was a meeting called, it was in the Oval Office, I believe, and I don't know that we had any kind of advance indication of what the subject was.

Mr. EGGLESTON. Do you recall that the discussion at that meeting was once again the Iranian Initiative?

Secretary WEINBERGER. Yes, it was a replay really of the whole thing, and, again, I made the same arguments with increasing force, but apparently less persuasion, and George Shultz did the same thing.

Mr. EGGLESTON. Had the views of the other people who attended the meeting changed by January 7?

Secretary WEINBERGER. Well, the President seemed to have had a different view by this time, to me. I reached the conclusion at the end of the meeting that the President now favored the plan.

Mr. EGGLESTON. And Secretary Shultz and yourself were still arguing vehemently against the plan.

Secretary WEINBERGER. Oh, yes, we were indeed.

Mr. EGGLESTON. Mr. Casey was at the meeting?

Secretary WEINBERGER. Mr. Casey was in several of the meetings. Mr. McMahon represented him once or twice. I believe Mr. Casey was at this meeting in January.

Mr. EGGLESTON. Do you recall what his view was?

Secretary WEINBERGER. He seemed to feel that there would be an intelligence gain from the operation if it succeeded.

Mr. EGGLESTON. You indicated that at the December 7 meeting you had made a very strong legal objection——

Secretary WEINBERGER. Among others. It was simply one of the many points I was urging, and it was directed entirely at the Arms Export Control Act.

Mr. EGGLESTON. It would seem—was there any discussion of your legal objections at this meeting on January 7?

Secretary WEINBERGER. Yes. In January, the Attorney General was present and gave the President an opinion that there were other ways, other procedures under which the transfers, if the President so concluded, that he wanted to do, could be used, that we didn't have to use the Arms Export Control Act, that there were earlier opinions and that the Attorney General concurred in those, that there were ways this could be done, and you didn't have to use the specific statutes.

Mr. EGGLESTON. Do you recall if the Attorney General at that time gave an indication about what those alternative ways were?

Secretary WEINBERGER. No, he didn't. He simply advised the President there were other ways this could be done and that the objections that were raised about the Arms Export Control Act were indeed valid but that that act did not have to be used.

The President, I think he spoke of the President's inherent powers as Commander in Chief, the President's ability to conduct foreign policy, and I am not sure whether he referred to an earlier opinion that his predecessor, William French Smith, had given, but I believe that there was a reference to that.

Mr. **Eggleston**. That earlier opinion makes reference to a transfer, under the Economy Act, from the Department of Defense to the CIA and then pursuing that by a covert action Finding. Did you know that as of that time?

Secretary **Weinberger**. No. That degree of specificity wasn't there, but the point was made that, and I had not seen the earlier opinion of the Attorney General predecessor at that time. That's just that the point made to the President that, Mr. President, if you decide you want to do this, you can do it, and you don't have to use the Arms Export Control Act, there are other ways it can be done.

Mr. **Eggleston**. Do you know why it was that the President's position on this issue had changed over the month?

Secretary **Weinberger**. No, I don't.

Mr. **Eggleston**. Was there any discussion about factors or things that had changed?

Secretary **Weinberger**. No. The meeting, as I said, in January seemed to be very much a rerun of the December meeting with the exception that I noted. That is to say, I made the same points, George Shultz made the same points. Bill Casey felt that there would be an intelligence gain, and there was also talk of the hostages as one of the motivating factors, but not the motivating factor, but the responses of the President seemed to me to indicate that he had changed his view and now had decided he wanted to do this.

Mr. **Eggleston**. As of the meeting or the close of the meeting on January 7, was it your impression—let me ask it this way—was a decision actually made at the January 7 meeting?

Secretary **Weinberger**. No.

Mr. **Eggleston**. It was your impression——

Secretary **Weinberger**. At least there was no announcement of any decision, there was no formal issuance of any order, anything of that kind.

Mr. **Eggleston**. So you felt the President was leaning toward going forward?

Secretary **Weinberger**. I felt he pretty well decided, yes.

Mr. **Eggleston**. But he had not actually made a decision?

Secretary **Weinberger**. That is correct, sir, yes.

Mr. **Eggleston**. Between January 7 and January 17, there are a series of PROF notes to which I would like to direct your attention, they are exhibits 16 and 17 in your exhibit book, which indicate that you continued to object to this program.

If I could ask you to look at exhibit no. 16 first, it is at the bottom of the page, and I will just read it.

Secretary **Weinberger**. Reproduction leaves a little bit to be desired here, but I think I can read it.

Mr. **Eggleston**. It does, and so I will just read it.

It reads: "In accordance"—IAW—"in accordance with your direction, met with Casey last night after Weinberger's speech at Fort McNair." This is a PROF note, dated January 15 of 1986. "Casey then tried to contact Cap," which I understand is you, Mr. Secretary, "but he had already departed. Casey has called urging that you convene a meeting with he and Cap ASAP so that we can move on. Casey's views is that Cap will continue to create roadblocks."

If you turn to exhibit 17, it is really a continuation, I will just read from the top of it: "Casey believes that Cap will continue to create roadbloacks until he is told by you that the President wants this to move now," and the "now" is in caps, "and that Cap will have to make it work. Casey points out that we have now gone through three different methodologies in an effort to satisfy Cap's concerns and that no matter what we do, there is always a new objection. As far as Casey is concerned, our earlier method of having Copp," which is a code name for General Secord, "deal directly with the DOD as a purchasing agent was fine. He did not see any particular problem with making Copp an agent for the CIA in this endeavor, but he is concerned that Cap will find some new objection unless he is told to proceed."

That is also a PROF note on January 15. Do you recall that during that time period you were continuing to put up vigorous objections to this?

Secretary WEINBERGER. Well, our—I was within the Department and I imagine the departmental people, General Powell, Richard Armitage, people who were familiar with it were probably relaying these, these objections, yes, and I would assume that, I hadn't seen this note before issued to me in preparation for the hearings, but I would assume that we were continuing to raise the points about the Arms Export Control Act, and a lot of the undesirable policy aspects of it as it appeared.

Up to that time, we had not received any Presidential decision. We just had continual requests to start doing something along this line.

Mr. EGGLESTON. You don't recall any direct dealings with Admiral Poindexter or Director Casey or Colonel North on this issue during that time period?

Secretary WEINBERGER. During that time period?

Mr. EGGLESTON. During this period between January 7 to January 17?

Secretary WEINBERGER. No, I can't remember which day it was, but right around about that time, perhaps the 17th, Admiral Poindexter telephoned and said the President had decided against the arguments I was making in favor of making these shipments, and that a certain number of TOW missiles were to be transferred to the CIA, and that there was a desire to move on it rapidly; some additional talk of hostages and things of that kind, and I passed this on to General Powell.

Mr. EGGLESTON. Just so that the record is clear: who was General Powell at that time?

Secretary WEINBERGER. General Powell is my military assistant, but he left very shortly thereafter for his assignment in Germany.

Mr. EGGLESTON. And you have made reference to Mr. Armitage. What was his position?

Secretary WEINBERGER. He was Assistant Secretary of Defense for International Security Affairs.

Mr. EGGLESTON. Mr. Secretary, there has been some testimony about a meeting which took place late in the afternoon of January

16, and there's some testimony that you, among others, were present—Mr. Sporkin, who was the general counsel to the CIA, and others. And there was a discussion about a Finding. Do you recall being at that meeting?

Secretary **Weinberger**. You know, I really don't. I have been asked about this before in depositions, and I have no memory of having been present at that meeting.

I understand there are some people who think I was present, but I don't remember it. I don't know that I know Mr. Sporkin, and I don't have any memory of having been there.

Mr. **Eggleston**. Mr. Shultz has testified about a family group luncheon on January 17, which would have been a Friday.

Secretary **Weinberger**. Friday, yes.

Mr. **Eggleston**. And he seems to recall there was some discussion of this initiative at that meeting. Do you recall that?

Secretary **Weinberger**. We have those meetings quite regularly, Fridays and other days when we are all together in the White House, and I don't have any specific memory of that meeting.

All the people who were at that luncheon would have been familiar with the meetings that we had had before, had been present at the December, the January meetings, so that it's possible that was a subject. I don't—didn't have any, there are no minutes of that that I know of. They were just very informal lunches.

Mr. **Eggleston**. So between the time of the January 7 meeting and the time you received this phone call you have described from Admiral Poindexter, you don't recall any other meetings that were called to discuss this initiative?

Secretary **Weinberger**. No, I don't. I think there was probably discussion within the Department and perhaps some inquiries coming over from NSC staff asking more specific questions about weapons and things of that kind, but we did not proceed nor do anything, and there were no other White House meetings that I recall.

Mr. **Eggleston**. When Admiral Poindexter called you, I think you said about January 17 or 18 or so, do you recall whether you objected at that time?

Secretary **Weinberger**. Oh, yes.

Mr. **Eggleston**. What did he respond?

Secretary **Weinberger**. Well, he said the President has decided this and there's no more room for argument, something along that line.

Mr. **Eggleston**. Did you take any steps or make any effort to contact the President directly?

Secretary **Weinberger**. No. I accepted Admiral Poindexter's word.

Mr. **Eggleston**. I really wasn't asking so much about whether it was truthful or not, but did you make any attempt to go back and re-argue the order?

Secretary **Weinberger**. I had made all the—no, I did not. I had made all the arguments I could think of at the two meetings, and having been told in very flat, uncompromising terms that the President had decided, and that they were anxious to have the order carried out, I did not.

Mr. EGGLESTON. Did you know that the President had signed a Finding on January 17?

Secretary WEINBERGER. No, I did not.

Mr. EGGLESTON. Did you understand by that time that this mechanism of the Economy Act followed by a CIA transfer had been worked out as the legal way to proceed?

Secretary WEINBERGER. No, I knew that the direction was to transfer to the CIA, and my instructions, in discussions with General Powell, were to the effect that it should be under the Economy Act, by which I meant the Department of Defense would have to be fully reimbursed by the CIA for any transfer we made to them.

We have done this in other matters in the past, transferred to various agencies, CIA usually, and some others, on an Economy Act or reimbursable basis, and I said that was to be the way in which we did this.

Mr. EGGLESTON. You, though, were the person who had seemed to be making most of the legal arguments to the method by which these weapons would get from the United States to Iran.

As of the time you received the phone call from Admiral Poindexter, did you have any understanding about how those legal problems had been surmounted?

Secretary WEINBERGER. No, but there is no legal problem—the Department of Defense transferring weapons to the CIA. That, as I say, was a familiar procedure and was covered by the various acts, including the Economy Act.

Mr. EGGLESTON. But you didn't know what legal authority existed for the CIA——

Secretary WEINBERGER. No. I had heard the Attorney General give the President his straight opinion that this could be done, and I presume I assumed that the transfer to the CIA, followed by whatever action they might take, was one of the routes he was talking about.

Mr. EGGLESTON. What did you do in response to the call from Poindexter?

Secretary WEINBERGER. I talked to General Powell and said we will have to go through with this, the President has ordered it, and all of these preliminary discussions we have had about numbers and all, we will just have to move and ask the location of the weapons, did we have them, and told him that we would now have to carry it out.

Mr. EGGLESTON. Do you recall that Admiral Poindexter, in that telephone conversation, indicated that you should make 4,000 TOWs available to the CIA?

Secretary WEINBERGER. I don't think he was that specific. I think he said that we will get the details over to you or over to General Powell, but we do have to move on it and we have to move quickly, and the President has made a firm decision on it.

Mr. EGGLESTON. Did there come a time when you learned how many TOWs they were talking about?

Secretary WEINBERGER. Yes. They ultimately talked about I think, 4,000, and somewhat later I was told that it had moved up to 4500. We did not ever send that many.

Mr. EGGLESTON. You did not send 4,500?

Secretary **Weinberger**. No, we sent, I think, approximately 2000 in three or four increments, I believe.

Mr. **Eggleston**. Did —you had indicated that your original indication was that you were send or make 4000 available, and subsequently it raised to 4500. Did you know the reason the number had been raised to 4500?

Secretary **Weinberger**. No, and we didn't ever, as I say, we never sent that many.

Mr. **Eggleston**. You did not know then, or did not understand, that the reason that the amount had been raised was to account for the replenishment of the missiles that had been sent by Israel——

Secretary **Weinberger**. Not at that time, no. Understand, Mr. Eggleston, that in the course of reading and hearing about this over the course of the months, a very large amount of additional information has been made public and come to my attention and that I have heard about. It is very hard to sort out what I knew when, at any particular time, but I am quite sure I did not know about that at that time.

Mr. **Eggleston**. Mr. Secretary, let me just quickly go through a number of events which took place then between January of 1986 and November of 1986. I just want to know the state of your knowledge about each of these events.

You had indicated that you did not know that a Finding had been signed on or about January 17th. When did you first learn there was a Finding?

Secretary **Weinberger**. In November of '86.

Mr. **Eggleston**. Between January and November, you were not aware that there was a Finding at all?

Secretary **Weinberger**. That is correct.

Mr. **Eggleston**. Did you have any understanding about the legal method by which the CIA was transferring the weapons?

Secretary **Weinberger**. No, I didn't know how the CIA was getting them over. That information was never conveyed. Our assignment, our responsibility, was to transfer to the CIA, and we did that.

Mr. **Eggleston**. Secondly, in mid-February of 1986, the Department of Defense transferred the first batch of TOWs to the CIA, it was a batch of 1000. Did you know that that was happening at that time?

Secretary **Weinberger**. Yes.

Mr. **Eggleston**. In late May of——

Secretary **Weinberger**. It was all part of this original assignment and discussion, and as these transactions were carried out at various stages that they would be moved to CIA—would be picked up by the CIA, this would be reported to me in the normal course by the military assistant.

Mr. **Eggleston**. Let me ask you the next question was—did you also know that they were then shipped within several days after that by the CIA through various——

Secretary **Weinberger**. No, I did not know that, but I knew that was the thrust of the President's order.

Mr. **Eggleston**. You assumed that that was what was going to happen?

Secretary **Weinberger**. Yes.

Mr. **Eggleston**. In late May of 1986, Mr. McFarlane, with others, made a trip to Tehran. In advance of the trip, did you know that he was going?

Secretary **Weinberger**. No, I did not.

Mr. **Eggleston**. Did you know—were you advised after the trip that he had gone?

Secretary **Weinberger**. I still started picking up a considerable amount of my information about this from sources other than the United States.

Mr. **Eggleston**. Do you recall when you first learned from someone, a U.S. official, that he had gone?

Secretary **Weinberger**. I think probably sometime after he returned.

Mr. **Eggleston**. Were you briefed on his trip?

Secretary **Weinberger**. No, not specifically. We would from time to time during this period get requests from the NSC to have evacuation teams ready, debriefing teams, medical teams on the theory that some hostages were about to come out, and we would arrange to have this ready, but for the most part this never happened.

Mr. **Eggleston**. Were you aware that Mr. McFarlane had taken HAWK missile spare parts with him on the plane?

Secretary **Weinberger**. No, I didn't have any memory of that or any knowledge of that until later when the various aspects of this started to come out.

Mr. **Eggleston**. In the fall, late summer, fall of 1986, there was a development, an opening of what has been called the second channel. Did you know that that had taken place?

Secretary **Weinberger**. No.

Mr. **Eggleston**. In late October of 1986, there was a shipment of 500 TOWs in connection with the release of a hostage. Did you know——

Secretary **Weinberger**. That was part of the original direction, so to speak, and was still within the so-called 4000 that we had been told would be sent and were part of the President's order, and I assume, I don't have a specific memory now, but I assume that I was told that this other order had gone under that same set of conditions that we were delivering the first group.

Mr. **Eggleston**. Mr. Secretary, you have testified about various meetings that you had as this initiative was developed leading up to the Finding, although you didn't know about it, leading up to the Finding on January 17th of 1986. Were there any meetings among this similar group of people after that time where there was any discussion about whether it was time to close down the operation, whether it was time to stop——

Secretary **Weinberger**. No, I made the point repeatedly to Admiral Poindexter, who by that time had taken over, that I thought it wasn't working and that I also thought it was an extremely bad way to go about anything to transfer the arms and sort of hope for the best. I think I told him that I preferred using the equivalent of an escrow or a title company, and if we didn't have that, then I told him that I thought that there should not be anything more done until all the hostages were returned to the United States unharmed, since that seemed to be what the thrust of it was becoming.

He promised two or three times that that would be the case. But that later, when I asked him about it again, many times he would just say he was unable to keep that promise.

Mr. **EGGLESTON**. You don't recall, though, a meeting with this similar or same group of people to discuss whether or not the time had come to stop the initiative?

Secretary **WEINBERGER**. Not a meeting of the same group, no.

Mr. **EGGLESTON**. Did you ever talk to the President directly about whether or not the initiative should be stopped?

Secretary **WEINBERGER**. I talked to Mr. Poindexter so many times, and I don't remember whether the President was present at some of those meetings or not. I think he may very well have been, but I am not sure of that. But the continued objection was made all through that year with repeated—my repeatedly calling attention to the fact that it wasn't working, we were getting the usual violent anti-American statements out of Iran, nothing was happening, we weren't getting any hostages, nothing was working, and it should be stopped. I don't recall whether the President was present at any of those specific times or not, but there were many of those types of discussions I had with Admiral Poindexter.

Mr. **EGGLESTON**. Mr. Secretary, let me ask you to direct your attention to exhibit 20 in your exhibit book.

Secretary **WEINBERGER**. Twenty.

Mr. **EGGLESTON**. Mr. Secretary, you would not have seen this document, I take it, contemporaneously?

Secretary **WEINBERGER**. No.

Mr. **EGGLESTON**. It is the cover memo to the January 17th Finding. I want to ask you about a particular line in it——

Secretary **WEINBERGER**. This is a memorandum that you are showing me or directing my attention to from Admiral Poindexter to the President?

Mr. **EGGLESTON**. Yes, sir. It is dated January 17th. The back page of this document contains the January 17th Finding with the President's signature on it and is also dated January 17th.

Secretary **WEINBERGER**. Yes. There is, however, a page before that on which the President's initials are put on, but not in his handwriting.

Mr. **EGGLESTON**. That is correct. I think in the last sentence it indicates that the President was briefed verbally by Admiral Poindexter. If you could return to the very first page, there is just one line of this that I wanted to ask you about.

Secretary **WEINBERGER**. Right.

Mr. **EGGLESTON**. It is about half way down the very first paragraph, and it reads as follows: "The Israelis are very concerned that Iran's deteriorating position in the war with Iraq"—I really just want to ask you, it wasn't a complete sentence, I just want ask you about that concept. Was it the view of the Department of Defense that Iran had a deteriorating position in the war with Iraq?

Secretary **WEINBERGER**. No, quite to the contrary, it wasn't—that wasn't the opinion—it wasn't my opinion and it wasn't anybody's opinion that I talked to.

Mr. Eggleston. Were you consulted during this time period about whether or not the relative positions of the Iranians and the Iraqis in the war?

Secretary Weinberger. No.

Mr. Eggleston. Do you know whether the President was advised that there was a contrary view to the one that is expressed in this cover memo?

Secretary Weinberger. I don't know that. I never saw this memorandum to the President, never had a chance to respond to it, but I certainly did not have the view that Iraq was winning or anything of the kind. Quite the contrary. As a matter of fact, it was basically Iraqi military strategy not to pursue any kind of decisive military end to that.

They had been trying to get a cease fire and trying to get the war ended by negotiation. They have specifically eschewed the idea of a military victory as far as I can tell.

Mr. Eggleston. So if you had been consulted at that time, you would have advised the President that you disagreed with that Israeli view?

Secretary Weinberger. In the strongest possible terms.

Mr. Eggleston. To the extent that the President relied upon that concept and decided to go forward, that in your view was simply an erroneous assumption on their part?

Secretary Weinberger. Yes.

Mr. Eggleston. Mr. Secretary, if you could look at exhibit 22.

Secretary Weinberger. Twenty-two.

Mr. Eggleston.—the very first page of this document reflects—says, "Paul, put this with the Finding." And it is signed "J.P."

What follows is a two-page document: first a memorandum from your military assistant, Mr. Powell, to Admiral Poindexter; and behind it is a memorandum to General Powell from Arthur Brown, who was the Director of the Army Staff. This document deals with the Army's concerns over Congressional notification as a result of the transfer of a thousand TOWs from the Army to the CIA. Do you recall this incident?

Secretary Weinberger. Generally, yes.

Mr. Eggleston. Do you recall being consulted about this?

Secretary Weinberger. I think General Powell mentioned it to me. In the normal course, he probably would have. I don't have specific memory of it, but I assume that he probably did talk to me about it, but he may not have. I don't have any specific memory of it.

Mr. Eggleston. If you would look at page 2 again, the last sentence says—this is what I am directing you to is the letter from General Powell to Admiral Poindexter. The last sentence says, "The Secretary asked that I make you aware of the Army's concerns in the event you wish to advise the DCI," which would be Mr. Casey "or the Attorney General."

Secretary Weinberger. That would indicate that he had discussed it with me, as I am sure he did.

Mr. Eggleston. Do you recall in the January timeframe any discussion about delaying notification to Congress?

Secretary Weinberger. In the discussions of the—that were in the Oval Office meeting, there were points made two or three times that while notification would be made, would have to be made to the Congress under any procedure, it was not necessary to make the notification contemporaneously with the event.

Mr. Eggleston. That was an opinion that the Attorney General was giving?

Secretary Weinberger. Yes, I believe so, and I think others made that point, too.

Mr. Eggleston. This memorandum at least is an indication from you to Admiral Poindexter that the Army at least was concerned that notification had not been given?

Secretary Weinberger. Yes, and we passed that on to Admiral Poindexter.

Mr. Eggleston. Do you recall whether you received any response from Admiral Poindexter to this?

Secretary Weinberger. No, I don't. I don't have any memory that he responded.

Mr. Eggleston. Do you recall any discussion throughout this time period that now the time had come to notify Congress.

Secretary Weinberger. Not that we made. Our transfers to the CIA did not require any notification. Everybody was agreed on that. They were in the normal course, so to speak, as long as they were under the Economy Act and reimbursible, and to the best of my knowledge, the conclusion was that that kind of transfer did not require notification.

But there was discussion at the—certainly at the January meeting, perhaps at the December meeting, that notifications would have to be given and again this point that I have made that they could be done at later times.

Mr. Eggleston. But you don't recall any later time where the issue came up where there was a discussion that now that later time had arrived and it is time to notify Congress until November of 1986?

Secretary Weinberger. Well, in November, yes.

Mr. Eggleston. Mr. Secretary, let me direct your attention to the summer of 1985. Do you remember at that time having a conversation with Admiral Crowe, who was then chairman of the Joint Chiefs of Staff?

Secretary Weinberger. Yes. He inquired about the details of the matter, and I told him all that we knew about it, which was simply the points that I have made. That the direction had come to make the transfer and that we were transferring it in accordance with the direction.

Mr. Eggleston. He had not been advised or brought into the circle at the beginning, I take it?

Secretary Weinberger. That is correct.

Mr. Eggleston. Was he angry or concerned that——

Secretary Weinberger. No, I think he just was anxious to have all the facts that he could get because he had heard about it from some members of his staff.

Mr. Eggleston. Did he make any concern or statement to you that he was concerned that there may not have been a sufficient analysis of the military impact of this initiative?

Secretary Weinberger. Not that point, no. I think he raised the same policy points that I had previously raised, arguments that I had made that had been rejected, and I found we were obviously in full agreement.

Mr. EGGLESTON. So you indicated to him that you had opposed the policy but the policy went ahead?

Secretary WEINBERGER. Oh yes, yes.

Mr. EGGLESTON. How were you able to explain to him why it was that he was not brought in at the time?

Secretary WEINBERGER. I don't know that I attempted to explain that or that anything—it was necessary to explain that. This was a decision by the Commander in Chief to carry out a very specific set of instructions and consultation with others below the Commander in Chief's level would not have perhaps been very fruitful.

Mr. EGGLESTON. Mr. Secretary, the next area I am going to turn to is the area of November and December of 1986.

Secretary WEINBERGER. Yes.

Mr. EGGLESTON. Before I do that, I just want to ask you one sort of short series of questions about the Contras. The question that I would like to ask you relates to funding for the Contras.

Do you recall, or maybe you are aware, that there is testimony before the committee by Mr. McFarlane that Country Number Two—and I think you might have a country list in front of you.

Secretary WEINBERGER. I don't have a country list before me, but whatever country it is, it is perfectly all right. Go ahead.

Mr. EGGLESTON. As I go on, you may figure it out. Mr. McFarlane testified that in the spring of 1985, maybe the country list is coming, there was a large contribution from Country Number Two. You were asked in your deposition whether you were aware at or about that time of the contribution.

Do you recall being aware?

Secretary WEINBERGER. No. I was not aware.

Mr. EGGLESTON. Let me just ask you, and I think you were shown this at the deposition, if you would turn to exhibit 39——

Secretary WEINBERGER. Thirty-nine, yes.

Mr. EGGLESTON. It is exhibit 39. It is a memorandum for the record by John McMahon. It is dated March 15, 1985, and on the second page at paragraph 7 it refers to a meeting that you had with the Director Casey at or about that time. It indicates, "Question of the support to the Contras came up." This is reporting on a meeting that had taken place between yourself and Director Casey.

The very last line reads, "In closing, the Sec. Def.—"—meaning the Secretary of Defense—"stated that he had heard that"—I will tell you what is under there is an official of Country Two—"had earmarked $25 million for the Contras in $5 million increments." Do you have any recollection of seeing——

Secretary WEINBERGER. I don't really. These were regular breakfast meetings that I had every week with the Director of CIA and we—they were very free-form discussions and meetings. The Director and his Deputy and Mr. Taft and I went to these breakfasts every week and there was a lot of discussion back and forth and reports passed on and this statement that I had heard that, I don't remember saying it, but I did frequently joke with Mr. Casey to the effect that I frequently picked up things from his rival intelligence agency, which was one of the morning radio stations, and I may have very well simply been passing on that kind of report.

I don't have any specific memory of it, but John McMahon is a good reporter so he probably heard this statement made.

Mr. **EGGLESTON**. John McMahon at the time was Deputy Director of Central Intelligence——

Secretary **WEINBERGER**. He was indeed, yes.

Mr. **EGGLESTON**. But you don't have any recollection of being advised by Mr. McFarlane or——

Secretary **WEINBERGER**. No.

Mr. **EGGLESTON**. —the President or anyone else that there had been such a large contribution from Country Two?

Secretary **WEINBERGER**. No. The reason I am quite sure about it is that we were all making major efforts at that time to get funding for the Contras from the Congress, and I think probably many of the gentlemen here remember that I made lots of calls in support of various bills and particularly trying to get the $100 million appropriation which ultimately was voted.

Mr. **EGGLESTON**. And without getting into any specifics, Country Two is a country with which the Department of Defense had some dealings; is that fair?

Secretary **WEINBERGER**. Well, we have dealings with a very large number of countries. Yes, this was one of those, surely.

Mr. **EGGLESTON**. Let me get back to November of 1986. It is well known now there was a leak in early November in the Middle Eastern media relating to McFarlane's trip to Tehran. And that ultimately resulted, I take it, in a meeting which you attended on November 10, 1986 with the President and others?

Secretary **WEINBERGER**. Yes.

Mr. **EGGLESTON**. There is a memorandum for the record which you prepared which is in your exhibit book as exhibit 28.

Secretary **WEINBERGER**. Twenty-eight, yes.

Mr. **EGGLESTON**. We've had testimony from others about this meeting, and as a result, I'm going to just direct your attention to various specific items that are in your memorandum.

If you could look sort of at the second half of the second paragraph.

Secretary **WEINBERGER**. Yes.

Mr. **EGGLESTON**.—you have stated, "I pointed out we must bear in mind we have given the Israelis and the Iranians tne opportunity to blackmail us by reporting selectively bits and pieces of the total story. I also pointed out that Congress could and probably would hold legislative hearings."

Do you recall the context in which you were discussing that?

Secretary **WEINBERGER**. This meeting was the first time at which there had been a general exposition and report by Admiral Poindexter of the whole nature of this transaction and series of transactions, and it was called, as you say, when there were beginning to be some reports coming out of the Middle East, and these were points that were made then at that meeting.

And the President made the point that even though there were these reports coming out, we should be very careful to bear in mind that we had been dealing with some people in Iran whom it was still hoped by people present at that meeting, but not by me, that would—with whom we could form a useful relationship.

And the President was very concerned about the fact that these contacts that we had in Iran would probably be executed and that the hostages might very well be executed as a result of public discussion of this whole matter, and that I was making the point that we were having—we were in a situation in which it was a very unfortunate situation to be in, that had been predicted much earlier, and that we should get full discussion of that matter out in one way or another, and that it was probably, as I recall it, too late to worry about whether we were endangering the lives of the contacts in Iran. But the President was very worried about that.

He was also very worried—very properly worried about whether or not retaliatory action would be taken against the hostages themselves.

Mr. EGGLESTON. The sentence which I just read seems to echo what you have indicated you argued in December of 1985.

Secretary WEINBERGER. Yes. I have a tendency to repeat myself, I'm afraid.

Mr. EGGLESTON. It echoes the blackmail concept?

Secretary WEINBERGER. Yes.

Mr. EGGLESTON. Again, was it your argument that by this, indeed, you were seriously in danger of being blackmailed?

Secretary WEINBERGER. That's right, that various demands were being made on us and that in order to prevent publicity, there might be a temptation to agree to them, and that we shouldn't follow that course.

Mr. EGGLESTON. The fact, I take it, that the Iranians or the Israelis or whoever could reveal, which the United States would not want revealed, is the fact that we had sold missiles in order to get the hostages back and whatever?

Secretary WEINBERGER. Yes.

Mr. EGGLESTON. You felt that we would be blackmailed as a result of that?

Secretary WEINBERGER. Yes.

Mr. EGGLESTON. Was it your advice, if you recall, to get the story out or to not get the story out?

Secretary WEINBERGER. I think the meeting was called to discuss a specific proposed statement that was to be issued, I don't remember whether by the White House or who it was, but it was to be—it was a meeting that was called to discuss that statement, and before that could be discussed very intelligently, I think George Shultz and I both asked to have some kind of statement as to what had actually happened, and that was the occasion for Poindexter, Admiral Poindexter giving this full rundown.

A lot of the discussion revolved around the proposed text of that statement, which I don't have, and I was making a lot of suggestions for changes in that statement. So that basically the decision to make a statement about it and to report it publicly had been made, and I agreed with that, that there should be that.

I didn't agree with a lot of the things in the statement, and we were trying to get revisions in the statement.

Mr. EGGLESTON. Were you surprised at the recitation of facts?

Secretary WEINBERGER. Yes, I was pretty horrified by it all.

Mr. EGGLESTON. Was Secretary Shultz similarly——

Secretary WEINBERGER. He seemed to be, yes. He was particularly concerned, as I remember, that neither of us had known there was a Finding until that time.

Mr. EGGLESTON. Mr. Secretary, if you could turn to page 2 of this document, I want to direct your attention to the top paragraph—top full paragraph. It reads: "I reminded John," Admiral Poindexter, "that he had always told me that there would be no more weapons sent to Iran after the first 500 TOWs until after all of the hostages were returned, but unfortunately we did send the second 500 because it seemed the only way to get the hostages out, according to Poindexter."

Did you have an exchange of words about this?

Secretary WEINBERGER. Yes. This attempts to report correctly what happened, and I dictated it after I got back to the office.

Mr. EGGLESTON. So it was—I take it, though, you had known, because you were—you had known, I guess, the missiles, you had known that these series of missiles had been transferred without the release of the hostages?

Secretary WEINBERGER. Yes. Each time he re-reported that he was unable to keep that promise, each time that we talked with him before we sent another shipment, and that the direction to send them was still in effect.

Mr. EGGLESTON. The second paragraph indicates that he had told you that the hostage-taking had stopped, and you responded to that. What was your response?

Secretary WEINBERGER. Well, he said there hadn't been any hostages for a year and I said they took three just a couple of weeks ago, or quite recently.

Mr. EGGLESTON. Did he have an explanation for that?

Secretary WEINBERGER. He said he believed that there were—different people had taken those three. I believe I said somewhat caustically that it didn't make too much difference who actually took them—the fact was the hostage-taking hadn't stopped.

Mr. EGGLESTON. Mr. Secretary, let me direct you to the time period November 20 to 25 or so of 1986. There has been a lot of testimony about the day November 20th. It was a day when Admiral Poindexter, Mr. Casey, the Attorney General and others met to review testimony that was going to be given the following day.

It turns out that there was a dispute that had arisen about the testimony, particularly about the November, '85, HAWK shipment and when various people in the U.S. Government may or may not have known about it.

Did you know that that dispute was going on?

Secretary WEINBERGER. This was the HAWK shipment?

Mr. EGGLESTON. What I am asking about is that there has been testimony that on November 20th, a dispute had arisen about what people knew about the November, '85, HAWK shipment. What I'm asking you is, did you know——

Secretary WEINBERGER. No, I did not know about it until all this formal exposition of the whole matter was made by Admiral Poindexter.

Mr. EGGLESTON. Similarly, what I'm really asking is on November 20, 1985, did you know that various people in the administration were having a dispute about the state of the government's knowledge about that transaction?

Secretary WEINBERGER. I don't know that I did. I know that there was a lot of discussion revolving around it. I don't know if the point was specifically being made as to who knew or who did not know.

Mr. EGGLESTON. Were you contacted, if you recall, prior to November 21st about what you may have known about that HAWK shipment, if you recall?

Secretary WEINBERGER. By anybody?

Mr. EGGLESTON. By the Attorney General or anyone?

Secretary WEINBERGER. Well, the Attorney General called me over that weekend to tell me that he was—if I have the weekend correctly in mind—that he had been asked by the President to gather all the facts about the situation, and that it would be helpful if we could assemble data that we might have or refresh our memories in order to enable him to carry out this investigation. I believe that was over that weekend.

Mr. EGGLESTON. It is your recollection, though, that that took place over the weekend——

Secretary WEINBERGER. Yes, I think so. I was at a hospital in Washington at that time, and I believe that is where the call from him came in.

Mr. EGGLESTON. And did he—did the Attorney General ever get back to you, to your recollection, to find out your knowledge?

Secretary WEINBERGER. No, well we had a meeting then in the Oval Office on, I believe, the Tuesday after that weekend, and at that time the Attorney General was reporting to us that he had found and had told the President, I believe the day before, maybe hours before, that there appeared to be some diversion of funds that the Iranians had paid to the Contras, and I was pretty horrified about that.

That was the first I had ever heard about it, and the President was still very angry about it, and was saying that we have to go make public statements about this immediately, never mind the form of the statements, we have to tell people about this immediately, and directed the Attorney General to go out and make a full statement to the press after that meeting, and the Attorney General did that within, I guess, a half an hour after that meeting broke up.

Mr. EGGLESTON. Who attended the meeting, if you recall, that you just discussed?

Secretary WEINBERGER. Well, Mr. Shultz was there and I think Mr. Casey was there, and Admiral Poindexter was there. Don Regan I believe was there.

Those are the ones I have in mind were there.

Mr. EGGLESTON. When you learned about this diversion, were you also told that Admiral Poindexter had had some supervisory role in it?

Secretary WEINBERGER. No, I think at that time it was just the fact that it had apparently had happened, that Ed Meese had found it in the course of this factfinding investigation he had been making over the weekend, that as soon as he found it, he reported it to the President and the President was very disturbed and angry and directed at the meeting that I attended, which was either the day after, some hours after he had been notified that this had to be made public at once.

Mr. EGGLESTON. Do you recall whether there was any discussion about Admiral Poindexter being relieved or being reassigned?

Secretary WEINBERGER. Not at that time that I recall, no, I don't think so right at that meeting. This was a short meeting and a pretty horrifying meeting and it didn't have anything else except this thing had been found and obviously we all agreed as the President said that it had to be reported.

Mr. EGGLESTON. You had indicated at sometime over the weekend the Attorney General called to tell you that he may be consulting you or meeting——

Secretary WEINBERGER. That is my memory, yes. My wife was in the hospital at the time and I was over there and I believe that is where the call came in.

Mr. EGGLESTON. But he did not, perhaps because you were at the hospital, he did not follow up and actually interview you? Is that correct?

Secretary WEINBERGER. No, he didn't—I was not interviewed by him, but I believe later that day or Monday, why I advised that we would be, that this call had come in and we should be helpful if and when people turned up, but then events were moving rather rapidly and after the press briefing that the Attorney General held, why then there was a general direction to gather the data and so forth and so on.

Mr. EGGLESTON. Mr. Secretary, the last area that I want to ask you about relates to exhibit 34, which is in your book.

Secretary WEINBERGER. Thirty-four, right.

Mr. EGGLESTON. Page 1 is a letter dated December 23, 1986. The version we have is unsigned, but it is a letter, I believe, from yourself to Secretary Shultz.

Secretary WEINBERGER. That is right.

Mr. EGGLESTON. And it encloses or attached to it is a memorandum from yourself to Alton Keel who was then the Acting Assistant National Security Adviser; is that correct?

Secretary WEINBERGER. That is correct.

Mr. EGGLESTON. Could you describe this——

Secretary WEINBERGER. Well, I had heard again from the same intelligence sources that in December, after all of this had come out, that there were still some meetings going on between U.S. representatives and that there was one scheduled for a few days and the Iranians, I believe in Paris, and that the discussions were to revolve around this whole problem of weapons and everything else, and I was understandably extremely unhappy with that. And I sent a very strong memorandum to Alton Keel, and it goes on for a couple of pages here, and then I sent a copy of it to George Shultz and said that I thought it was very unfortunate that these, while we are making statements that we are denying that we are making any contacts with the Iranian Government through third country representatives or so on, that is true only in the most technical sense of the term and then I am afraid will cause further adverse reaction when the truth is known.

And then I attached the memorandum I sent to Mr. Keel protesting this very strongly, and asking for a meeting and asking that no meetings be held with any Iranian representatives until we had had a chance to meet over here in Washington and try to stop it.

I said, "I am sorry to be so blunt about it, but it seems to me incredibly wrong with the precise mechanisms of secrecy and attempts to exclude advisers who it is feared may have different views which helped cause so many of our present difficulties are apparently being pursued by the State Department at this time."

I was told as a result of this that State Department representatives were instructed only to listen and not to negotiate, but I believe that all the meetings were called off and were not formally held.

Mr. **Eggleston**. The first paragraph of the attached memo, the memo to Mr. Keel, makes reference to congressional testimony by yourself.

What is that a reference to?

Secretary **Weinberger**. Let's see—the President announced in late November—I had assumed—"the President announced in late November or early December that all further arm shipments to Iran had ceased and after it became apparent that the channels we were using to discuss hostage release and other matters were at the very least ineffective and as is easily apparent now totally counterproductive I assumed we were finshed with this entire Iranian episode and testified to congressional committees during last week."

That was testimony I gave to the Special Senate Committee on Intelligence at their request covering these matters.

Mr. **Eggleston**. So you had testified based on your state of knowledge that as far as you knew there were no further dealings?

Secretary **Weinberger**. That is right. It was finished by direction of the President.

Mr. **Eggleston**. You later learned that that was not correct?

Secretary **Weinberger**. Well, I later learned there was a meeting scheduled which I then urged not be held and which to the best of my memory was not held. I was also told that I didn't need to be quite so strong because nobody was going to negotiate, all they were going to do was sit and listen, but I have to confess though I wrote a very strong memorandum here.

Mr. **Eggleston**. But in any event, this was again something you learned and not through official channels?

Secretary **Weinberger**. No, not through official channels, through the same sources we had picked up the whole other mess.

Mr. **Eggleston**. Was it your concern that what seemed to be going on was a return to what had happened immediately——

Secretary **Weinberger**. That was the impression that I had and that I convey here, yes.

Mr. **Eggleston**. And I think that you indicate at the bottom of page 1 of the attached memo and the top of page 2 that you were concerned that his advisers on security matters were being cut out once again?

Secretary **Weinberger**. Yes, I said, "I think the President is entitled to have the advice of all of his security advisers, and I must strongly object that the continuation of this practice and secrecy in attempts to exclude various advisers whose advice it is apparently feared may not support the agenda of various people in this case or some other agenda can only get us in more and more difficulty and serves the President very badly. I therefore ask there be a meeting of the National Security Planning Group so the matter can be discussed properly and presented properly to the President and that our so-called negotiators with the Iranian Government, wherever they are, be brought home and instructed not to take any further action of any kind" and so on and so on.

As I say, I had imprecise knowledge because it didn't come from U.S. sources.

Mr. **Eggleston**. Let me just, the last thing on this document, if you would look to the second-to-last paragraph, there is a reference to your learning, apparently for the first time, we had given intelligence information.

Secretary **Weinberger**. Yes. That was a source of further extreme anger as far as I was concerned.

Mr. **Eggleston**. What is it that you had learned?

Secretary **Weinberger**. Well, I said, "I have now learned, thanks to your forthcomingness"—I was addressing Al Keel—"and by reason of our investigations that McFarlane had actually offered the Iranians sensitive intelligence information passed by the United States, as to Iraq and that State plans another meeting with the Iranians on December 27 in Geneva."

I didn't know it wasn't going to happen. "I urgently urge that no such meetings be permitted until we have the NSPG that you very forthfully offered." That was to Keel.

Mr. **Eggleston**. This was the first that you had learned that sensitive information——

Secretary **Weinberger**. Yes. Shortly before this memorandum was written, which added to the strength of the memorandum, I guess.

Mr. **Eggleston**. This memorandum was sent, I take it, both to Mr. Keel and to Mr. Shultz?

Secretary **Weinberger**. Yes.

Mr. **Eggleston**. Did you hear back from either one of them?

Secretary **Weinberger**. Yes. Mr. Keel called the meeting and said nothing would happen until after the meeting as I had requested.

Mr. **Eggleston**. Did you speak about the memorandum with Mr. Shultz?

Secretary **Weinberger**. Yes.

Mr. **Eggleston**. And——

Secretary **Weinberger**. He said that that is what I said, he told me this was a listening mode only, that the meeting had been arranged before and that the general conclusions seemed to be that it was better to send somebody to listen and not just cancel the meeting, that something might come out of it, but that there was emphatically to be no further negotiations, no further discussions, no further arms, et cetera, et cetera, and I was relieved to hear that.

Mr. **Eggleston**. Thank you, Mr. Secretary.

Mr. Chairman, I have no further questions.

Chairman **Inouye**. Thank you very much, Mr. Eggleston.

The hearing will stand in recess until 2:00 p.m. this afternoon.

[Whereupon, at 12:35 p.m., the Select Committees recessed, to reconvene at 2:00 p.m., the same day.]

AFTERNOON SESSION

The Select Committees met, pursuant to recess, at 2:00 p.m., in room 325, Russell Senate Office Building, Hon. Daniel K. Inouye (chairman of the Senate Select Committee) and Hon. Lee H. Hamilton (chairman of the House Select Committee) presiding.

Chairman INOUYE. The hearing will please come to order.

I am pleased to recognize the committee counsel, Mr. Genzman.

Mr. GENZMAN. Thank you, Mr. Chairman.

Mr. Secretary, earlier you testified that you were not aware of the November 1985 HAWK shipments from Israel to Iran at the time those occurred; is that correct?

Secretary WEINBERGER. Yes, that is correct.

Mr. GENZMAN. And earlier we discussed the fact that around the same time Dr. Gaffney and some of his colleagues at the Defense Department were preparing some point papers regarding HAWK missiles and TOW missiles.

Secretary WEINBERGER. Yes.

Mr. GENZMAN. To your knowledge, did Dr. Gaffney and his colleagues know that the 1985 HAWK transfers had occurred at that time?

Secretary WEINBERGER. I have no idea. I don't believe so, but I don't know.

Mr. GENZMAN. To your knowledge, did anyone at the Defense Department know at that time that these 1985 HAWK transfers had occurred?

Secretary WEINBERGER. I don't believe so. No one ever discussed it with me.

Mr. GENZMAN. Would it be fair to say that, to your knowledge, the people involved in these point papers were addressing the idea of prospective arms transfers rather than actual arms transfers that had occurred?

Secretary WEINBERGER. I think they were discussing questions that had come over from the NSC that would involve possible arms transfers or even just theoretical questions that they would be asked to respond to for whatever purposes the staff over there might have wanted.

Mr. GENZMAN. So that the record is clear, is it fair to describe a TOW missile as an anti-tank or anti-armored vehicle missile that is launched from the ground?

Secretary WEINBERGER. Yes.

It is a tubular optical wire-guided missile.

Mr. GENZMAN. And when we are talking about HAWK missiles, would it be fair to describe those as anti-aircraft missiles that are launched from the ground?

Secretary WEINBERGER. Yes.

Mr. GENZMAN. Earlier, you testified that in January of 1986 Admiral Poindexter advised you that the President had in fact agreed that the TOW missile transfers should go forward; is that correct?

Secretary WEINBERGER. Yes.

Mr. GENZMAN. When you testified in your depositions before these committees, you indicated that this direction from the President was on a close-hold basis.

Secretary WEINBERGER. Yes.

Mr. GENZMAN. Can you describe for us what you mean by that?

Secretary WEINBERGER. Well, the smallest number of people should know about it, and the President was very concerned at all times about the safety of the hostages primarily, knowing the rather volatile nature of the captors, and also was concerned that these contacts or people that they were dealing with in Iran, if they were in any sense friendly to the United States, might have their own lives in danger, so he was very anxious to keep the circle of people who knew about it very small.

Mr. GENZMAN. Would it be fair to say that the close-hold nature of this series of transfers was one reason why Admiral Crowe was not advised of the transfers?

Secretary WEINBERGER. Well, I think it possibly was that. There wasn't any particular role for anyone to play in this except just the people that were involved. I had received the order from the President and the two or three people necessary to make the physical transfer to the CIA.

Mr. GENZMAN. Sir, you testified that the Defense Department played its role in the Iran arms transfers by means of its transfer of arms from the Defense Department to the CIA under the Economy Act.

Is that correct?

Secretary WEINBERGER. That is correct.

Mr. GENZMAN. And the Economy Act has its own pricing requirements; isn't that true?

Secretary WEINBERGER. That is right. We are supposed to get full market value for anything we turn over to another agency of the Government.

Mr. GENZMAN. Were you at any time directed or asked to set the prices of the weapons in any particular way?

Secretary WEINBERGER. No.

Mr. GENZMAN. To your knowledge, was anyone at the Department of Defense directed or asked to set the prices in any particular way?

Secretary WEINBERGER. Not that I know of, no.

Mr. GENZMAN. Sir, are you familiar with the General Accounting Office's report on the Iran arms sales?

Secretary WEINBERGER. Generally, I have seen summaries of it, yes.

Mr. GENZMAN. Let me discuss a few of the conclusions of that report, and this is March of 1987, the Comptroller General concluded, "DOD", Department of Defense, "acted properly in treating the transfer of arms to the CIA as interagency transfer governed by the Economy Act."

I take it you join in that conclusion?

Secretary WEINBERGER. Yes, that was one of the parts I was familiar with.

Mr. GENZMAN. The GAO also concluded, "The pricing and congressional reporting requirements of the Arms Export Control Act, the legislation which normally governs DOD arms sales to foreign governments, do not apply to these transactions?"

Secretary WEINBERGER. The transactions between the Department of Defense and CIA, that is correct; yes.

Mr. GENZMAN. Is that your understanding of the law?

Secretary WEINBERGER. Yes, that is my understanding.

Mr. GENZMAN. And another GAO conclusion dealt with notification of Congress. It said, "Although DOD covert arms transfers may ordinarily be subject to congressional notification requirements, in this case the President's Finding ensured that the responsibility for meeting any such requirements remained with him."

Knowing what you now know about the Finding, is that your understanding of——

Secretary WEINBERGER. That is apparently what was intended. As I say, I didn't see the Finding until the fall of that year.

Mr. GENZMAN. Mr. Secretary, isn't it true that the Defense Department has a mechanism for review of sensitive transactions with other agencies such as the CIA?

Secretary WEINBERGER. Well, in general, not necessarily with other agencies, but they have—we have a mechanism designed to prevent some of the problems I uncovered very early in my tenure there in connection with intelligence activities.

Mr. GENZMAN. What are the purposes of this mechanism?

Secretary WEINBERGER. The purposes are to ensure that when a request is made by someone in the Department for assets or resources or other activities in the name of doing an intelligence job that that is indeed authorized and that there is an audit of some of the—of the funds that might be required or requested.

We ran into a situation where people in intelligence agencies, units actually of the Army in this particular case, were drawing money from their units or from other portions of the Army on the idea that they needed them for intelligence activities. We found some serious problems with this, there's some convictions that were obtained, there are appeals from those convictions I understand, and I put in a system, after considerable discussion, under which you couldn't just come in and say you were an intelligence operative and you needed some money or you needed an airplane or you needed a ship, or whatever, and that you had to have a review of these particular types of requests within the Army and within the Department, and that system is in effect now, and I think effectively corrects the problems we found in this earlier activity.

Mr. GENZMAN. Was this review mechanism used in the context of the Defense Department arms transfers to the CIA as part of the further transfers to Iran?

Secretary WEINBERGER. No. No, it was not. It wasn't applicable to that kind of transaction. This was a transaction which the President of the United States had directed that we transfer arms to the CIA under the terms of the Economy Act. There was no similarity to that in the instances and the types of activities which gave rise to our use of the system I have just described.

Mr. GENZMAN. I take it one of the points you are making is you wanted to make sure the Defense Department leadership was not left out of such a transaction between the Defense Department and other agencies. Is that correct?

Secretary **Weinberger**. You mean when we established the system?

Mr. **Genzman**. Correct.

Secretary **Weinberger**. Well, we wanted to make sure they were legitimate, authorized requests, that the funds were required, whatever funds were expended were audited and that it was not left in the hands of one or two people who were going to spend the money to draw, to not have to account for it. That was the origin of that system.

Mr. **Genzman**. Did the Defense Department leadership have knowledge of these transfers of HAWK and TOW missiles from the Defense Department to the CIA?

Secretary **Weinberger**. No, I think only a very, very few people in accordance with the directions we received. It was a very small narrow circle of people who needed to know, and it was deliberately kept small because of the considerations the President continually emphasized that it was necessary to make sure that very few people knew about it so as to try our best to not do anything that would endanger further the lives of the hostages or, as I say, these people with whom they were dealing in Iran.

Mr. **Genzman**. Is it true that one of the issues that this review mechanism addresses is the issue of readiness?

Secretary **Weinberger**. Well, the issue of readiness is always present. I don't think there is anything special in the review mechanism that reaches that. What that is designed to do, as I said, was to make sure we didn't have any more of the instances which gave rise to the convictions and the prosecutions that were brought as a result of this discovery of these previous transactions.

Mr. **Genzman**. Can you——

Secretary **Weinberger**. We are always concerned with readiness.

Mr. **Genzman**. Can you describe what you mean by the term "readiness"?

Secretary **Weinberger**. Well, the ability of the—any portion of the Armed Forces to carry out any direction of the President in connection with his foreign policy, the ability to do missions that we might be ordered to do on short notice and to sustain them.

Mr. **Genzman**. After the President had directed in January of 1986 that the TOW missile transfers should go forward, did you have any discussions with anyone regarding the readiness issue?

Secretary **Weinberger**. These papers we talked about this morning that were designed to get us ready for the meeting in December and January touched on some of those points. I was advised that we had very, very large stocks of these old obsolete TOW missiles, that we had something in the neighborhood of, I think, 150,000, or something like that, on hand, that we were using them in training because they were no longer either produced or recommended, and that we had two later models that we used, and so that there would not be any appreciable effect on our readiness.

Mr. **Genzman**. Is the TOW missile still being procured by the Defense Department?

Secretary **Weinberger**. Not this TOW missile, no. We have an improved TOW and then we have gone to the TOW II. This missile has been obsolete and not been produced for many years.

Mr. **Genzman**. Did anyone do any formal assessment of the impact of these weapons transfers on the Iran-Iraq war?

Secretary **Weinberger**. I don't know entirely what you mean by "formal assessment." The general state of the situation with respect to the Iran-Iraq war was known to many of us—we get pretty much daily briefings on that as well as other matters, and we knew in a very general way what the state was and roughly the balance of forces at that time and that sort of thing.

Mr. **Genzman**. From the time of these arms transfers to the present, has the Defense Department determined whether these arms transfers have had any impact on the Iran-Iraq war?

Secretary **Weinberger**. I have never been advised that they had any impact on it, no. The Iran-Iraq war is basically a stalemated grounds situation, the Iraqis have very complete air superiority and we have never had any indications that the HAWK defenses of the Iranians have been particularly effective against the Iranian air, and there hasn't been any appreciable change in the ground situation for many months.

One side will move forward, take a couple of hills or some high ground, and the other side will push them off and it has gone back and forth like that. There has been very little change in the last couple of years.

It is essentially a kind of World War I situation.

Mr. **Genzman**. Has any study been done of any effect that these arms transfers may have on the United States in the event of Iranian-U.S. hostilities?

Secretary **Weinberger**. Well, we understand what we—with respect to the TOWs, we don't have any plans for any kind of an armored attack against Iran, so that we hadn't considered that that has made any of—has changed in any way. The missile itself is, as I said, is obsolete and we have very good information as to ways to deal with it in the hands of other people.

And those are part of our training exercises and all the rest. As far as the HAWKs are concerned, it was not a HAWK missile or a HAWK missile system that was transferred, it was a large number of ground support parts for HAWKs that had been given to Iran during the days of the Shah.

Mr. **Genzman**. Regarding the transfer of 18 HAWK missiles in November of 1985 from Israel to Iran, is it your understanding that 17 of those missiles were, in fact, returned?

Secretary **Weinberger**. I have heard since that time that there was something like that. I don't have any information on it and I had none at the time.

Mr. **Genzman**. And is it your testimony that the HAWK material provided by the Defense Department to the CIA for transfer to Iran was not HAWK missiles themselves but actually HAWK parts?

Secretary **Weinberger**. That is right. Ground support parts, not parts of the HAWK itself, but parts of the ground support systems. Trucks, communications, things like that.

Mr. **Genzman**. Thank you, Mr. Secretary.

Mr. Chairman, I have no further questions.

Chairman **Hamilton**. Mr. Aspin is recognized for 30 minutes.

Mr. **Aspin**. Thank you, Mr. Chairman.

Mr. Secretary, let me just for a little bit go over a few of these issues and then maybe I will reserve some of my time.

Let me ask a little bit about the policy that was undertaken and your attitude towards that policy. I take it that you, based upon your reaction to that NSDD that was circulated, the draft that was circulated in 1985, that your opposition to this policy was opposition to the whole idea, not just to the opposition to the arms sales.

Secretary **Weinberger**. Oh, yes. I thought it, first of all, was not possible to get a better relationship with Iran, with the Iranian Government in its present hands. I didn't think there was anybody we could deal with that was not virulently anti-American, and I just didn't think it would work and I was, as you say, against the whole policy.

Mr. **Aspin**. Now, this is different——

Secretary **Weinberger**. I did add a word in my comment to the effect it would be good if we could get a relationship with Iran as we used to have it under the Shah. It would be desirable to try to do something like that, but we couldn't do it with this situation.

Mr. **Aspin**. Let me ask you why you drew that conclusion. I take it that the opposition of other people, in principle, the Secretary of State, his view was that if we could get some, he was not opposed to new initiatives with the Iranian Government. He said he opposed the idea of selling arms in order to further that initiative. And that seems to be the general reaction of most people, was that the idea itself was not a bad idea, but that the particulars of it, namely selling arms as part of that, was wrong.

But you are saying you just flat-out did not think that the idea of pursuing any kind of relationship with a moderate element in Iran, that that was not a——

Secretary **Weinberger**. I didn't think it was a good idea. I didn't think it was possible to do it. I did not think and do not think there is any moderate element in Iran that is still alive, and I think it was not a good idea in any sense of the term.

I would like to have a relationship with a rational government in Iran of the kind we had when the Shah was there, because I think geographically and strategically that's a very useful thing. I was, as you say, against the whole idea.

Mr. **Aspin**. Does that—when the National Security Council, then Bud McFarlane, drafted the NSDD and circulated it, he had some intelligence from the CIA, particularly from Mr. Casey, that in fact there was some intelligence that would indicate that such an initiative was a good idea at that time.

Did you just not believe that intelligence or did you have some other intelligence? In other words, did DIA have a contrary—Defense Intelligence Agency—have a contrary point of view at that time?

Secretary **Weinberger**. My memory is that generally they did, but I didn't see anything in the estimate that accompanied the draft NSDD that supported such a conclusion.

There were no individuals named, and certainly everything that I had heard and known about Iran, particularly with respect to all of the statements, positions, their support of terrorism, all of that struck me as simply being contrary to that estimate. It was not an intelligence estimate with which I agreed.

Mr. ASPIN. So you just flat-out deny—I mean, there is a whole series of assumptions or intelligence estimates upon which this policy was based, either implicitly or explicitly. And let me just list them, and I guess you'd reject them all.

One, there was a moderate element in Iran that you could deal—let me list them all, Mr. Secretary. One, that there was a moderate element that you could deal with.

Second, that somehow giving them weapons would strengthen them in some way—that this deal would somehow strengthen them.

Third, that Iran, and in particular this moderate element, held some influence over the people who are holding our hostages in Lebanon and that somehow, that they would have the ability to get the hostages loose and get these people to abate on their terrorist activities.

I take it you would just reject that whole litany.

Secretary WEINBERGER. If you, Mr. Aspin, I may have misread you but my understanding was that you said there were a whole series of estimates—to the best of my knowledge, there was only one.

Mr. ASPIN. The series is what I listed here.

Secretary WEINBERGER. It included all these ideas. I disagreed with that estimate and all of its parts, yes, but I don't think there was a whole series of them.

Mr. ASPIN. No, I didn't mean to imply that. I meant there was a series of either explicit or implicit assumptions behind this policy.

Secretary WEINBERGER. Yes.

Mr. ASPIN. I'm taking it that you just rejected it——

Secretary WEINBERGER. It was just contrary from everything I had heard, all the other intelligence that I've seen, my own personal views, and the knowledge that I had of the way the various battles in the war had gone and what they said about us, their support of international terrorism, just none of it rang true as far as I was concerned.

Mr. ASPIN. So it was essentially pretty much of a gut instinct reaction to it?

Secretary WEINBERGER. Well, it was based on, as I say, a lot of other reports that I had that made that seem quite wrong.

Mr. ASPIN. Let me ask you this question. Secretary Shultz indicated that he had a lot of distrust, I take it, maybe, I hope I'm not using too strong a word, of the CIA analysis at this time because he thought that Director Casey was so heavily involved in policy that he began to suspect the intelligence—that he had become such an advocate of a policy that he began to suspect the objectivity of the analysis.

Did you share that and——

Secretary WEINBERGER. No, actually I didn't. I had a very high regard for the CIA and for their analysts and their analytical capability, and one of the reasons that I disagreed with this particular estimate was that it seemed to me quite at variance both with the daily briefings that I had from the CIA as well as from their special reports. It seemed to be completely at variance with those, and in a minority of one, so to speak.

Mr. ASPIN. This seemed to stand out as kind of outside of the mainstream of the kind of intelligence reports that they had been giving in other forums?

Secretary WEINBERGER. It just didn't conform with what I had, the conclusions I had formed as a result of a large number of intelligence papers and analyses that I read both from the DIA and the CIA. But I have admiration and respect for the quality of the work that I see from the CIA.

Mr. ASPIN. I take it that the part of the problem with the blow up that you had in that memo that you drafted in December of 1986—this is, you know, the memo where you discovered that contacts were still going on and I guess you would characterize that as a strong memo-to-follow message that you sent to the NSC, a copy to Secretary Shultz.

Secretary WEINBERGER. Right.

Mr. ASPIN. I take it that at bottom the difference there was that the State Department was still proceeding on the assumption that it was a good idea to try and establish relations with moderates in Iran, whereas—but not doing it with arms—whereas your view at that point was we ought to be stopping this whole initiative and the whole idea is crazy.

Secretary WEINBERGER. No. Really most of my wrath arose from the fact that I didn't know what was being suggested or what was being done. When you get fragmentary reports, garbled and somewhat obscure and ambiguous reports through intelligence channels of what is being suggested, you don't really know, but it seemed very clear that it was more of the same kind of thing that I had talked about——

Mr. ASPIN. You were still concerned that they may still be talking about arms?

Secretary WEINBERGER. Yes, I didn't know, but I was concerned about that particularly because I had given testimony to the Senate Intelligence Committee that the whole thing had been stopped, and I am frankly very sensitive about telling a congressional committee anything that is not correct.

Mr. ASPIN. When you say the whole thing had been stopped, you meant not just the arms, but that the whole attempt to talk to moderates had been stopped?

Secretary WEINBERGER. Yes. That the entire matter had been closed off. That is the way I understood the President and that is why I was very disturbed to gather that there was still some of this going on.

Mr. ASPIN. Let me ask you, Mr. Secretary, as policy—we carry the policy forward into the present time a little bit—about if you see any connection between what was going on in this time and what has subsequently happened in the Persian Gulf. Secretary Taft in a very interesting deposition before the committee here said that in October of 1986, he had a meeting, that the Kuwaitis were in town and the Kuwait Foreign Minister in October of 1986 asked him, in a meeting with Deputy Secretary Will Taft, asked him whether the United States was selling weapons to Iran.

I don't know where he would have gotten that information unless it is their own sources of information, but he asked the Deputy Secretary.

The Deputy Secretary responded that he said no, that that was not the case.

Then, of course, within the month, namely about on November 3d, came the first public revelations of the arms-for-hostages things that were going on, and then by the end of that month was the Kuwaiti request to the Soviet Union on the chartering and the subsequent offer to the United States and it ended up with us reflagging and the Soviets chartering.

It seems like an interesting coincidence——

Secretary WEINBERGER. Mr. Chairman, do you mind if I correct—my understanding of the chronology of the events.

Mr. ASPIN. OK.

Secretary WEINBERGER. I don't know anything about these previous discussions that you are talking about in October, but my understanding of the current situation is that the Kuwaiti Government came to us first, came to us somewhere in January, asked if we would protect their own ships carrying oil out of the gulf from attack and my recommendation and I believe the answer was that, yes, we would.

It was later that they asked the Soviets to do this. That is my understanding of the chronology.

Mr. ASPIN. It's not important—the order is not important. I think the order is the other way around, Mr. Secretary, but in any case——

Secretary WEINBERGER. I am just giving you my understanding of it.

Mr. ASPIN. The question that arises, of course, is whether the Kuwaiti effort to get the superpowers and the United States, in particular, and the Soviets in the effort, whether that was in some way connected to this event.

Secretary WEINBERGER. I have no idea of any possible connection.

Mr. ASPIN. Were you in any way aware that the Kuwaitis suspected that we were selling arms to Iran?

Secretary WEINBERGER. No, I was not.

Mr. ASPIN. Nobody in the Kuwaiti Government—you did not meet, I take it, with the foreign minister?

Secretary WEINBERGER. No, I believe I was at a NATO meeting in Europe at that time in October, but the first—to my knowledge, the first time that anybody knew of it in that area aside from the people who were participating in it was after these articles started appearing in some of these Mideast publications.

Mr. ASPIN. The suggestion here, of course, is if you have a—we have been asked by the Kuwaitis whether we are doing it, how they got the suspicion, I don't know, but the United States says no, and then it comes out that, in fact, they are doing it, that that causes an enormous unease among all the gulf states, in particular Kuwait here, as to whether the United States is playing straight with them and led, according to this, it seems to me, that there is some connection between that and the request of the Kuwaitis to show that we were, in fact, really being true to them.

They wanted some kind of proof positive that we did, in fact, side with Iraq and Kuwait in the crunch.

Secretary WEINBERGER. No, that certainly—I have no knowledge of anything like that. The Kuwaiti request was a straightforward request in January and my understanding was that it came to us first and it was only after some members of the Kuwaiti Government objected to their coming to us, other members of the Kuwaiti Government thought they should also approach the Soviets.

But I don't know of any connection between the two. There is no doubt that when the revelations of this came out that many of our friends in the Middle East were unhappy about it, Jordan particularly. I think Saudi Arabia was, although Saudi Arabia didn't say so publicly, but Jordan said so both publicly and privately and it was quite understandable.

Mr. ASPIN. And they were clearly unhappy and upset at what was going on?

Secretary WEINBERGER. Jordan, oh, yes.

Mr. ASPIN. Let me ask you this—to what extent did this unhappiness and our concern with that then subsequently result in us saying yes to the Kuwaiti request for the reflagging?

Secretary WEINBERGER. No connection whatever, Mr. Chairman.

Mr. ASPIN. You are convinced that there was no connection?

Secretary WEINBERGER. I am absolutely convinced that there was no connection because there was no connection made, and you will forgive me for saying that I think that even the attempt to establish a connection is fairly tenuous because I don't see anything that would have been either accomplished or how it would be tied together.

Mr. ASPIN. Well, I can certainly make the case that if we have already made them very uneasy by trying to sell arms to Iran, that we could at least make amends and show them that, in fact, an arms to Iran—arms sales were an aberration by reflagging their tankers.

Secretary WEINBERGER. We made it very clear that it was a one-time operation, and we were not going to do it anymore. We are not doing it more. That had nothing to do with the need of their ships for protection from Iranian attack.

Mr. ASPIN. So you—one thing, of course, is that if we had adopted a policy of attempting to moderate—or to deal with moderate elements in Iran. Certainly reflagging the Kuwaiti tankers would have been a policy totally in the opposite direction and would have in effect really done in any effort to achieve a relationship with a moderate element in Iran, should one exist.

Secretary WEINBERGER. If you assume there is any moderate element in Iran, it would be totally at variance with that policy, yes.

Mr. ASPIN. I wondered why that was why you were much more enthusiastic about the reflagging policy than Secretary Shultz was.

Secretary WEINBERGER. I don't know that that is a fair characterization. I never heard that Secretary Shultz was in anyway opposed to it or moderate about it. I thought that he was very strongly for it.

In all my conversations with him, I have obtained the impression that he very strongly supports it.

Mr. **Aspin**. There is "being for it" and "being for it." He was not like it for it like you were, sir.

Secretary **Weinberger**. I have no reason to suppose that that is correct. Every time I talked with him I never encountered anything except support for the idea.

Mr. **Aspin**. Let me move onto another area. Let me—the question has been asked by—I can't remember which of the preceding counsels about the, maybe both—about the information that Admiral Crowe had about this issue.

Secretary **Weinberger**. Yes.

Mr. **Aspin**. I take it from all of the testimony that he heard of it himself by another channel. You did not inform him or——

Secretary **Weinberger**. No, I think it was his executive assistant advised him of it. That is my memory of what he reported to me.

Mr. **Aspin**. Then he came to you——

Secretary **Weinberger**. Yes.

Mr. **Aspin**.—and asked you about it and asked what was going on. This was, I take it, you said, some time in the spring of 1986?

Secretary **Weinberger**. I didn't say but I was given a date, and I just didn't know but it was sometime, I would say probably sometime in the middle of the year. I am not quite sure what date.

Mr. **Aspin**. Let me ask this question. Why was Admiral Crowe or the Joint Chairman of the Joint Chiefs, not brought into the issue by the administration when they actually made the very formal decision in January of 1986 to proceed?

Secretary **Weinberger**. Well, having, as I said before, when—having been given the basic instruction to limit it only to the bare minimum of people who needed to know to carry out the President's orders, I carried out that request and it was perfectly possible to do this without involving the Joint Chiefs and without involving really anyone else except the people with direct physical custody over the weapons concerned.

Mr. **Aspin**. Did anybody suggest, either you or somebody else, that maybe we ought to get the military assessment here of this?

Secretary **Weinberger**. We had discussions of what would be the effect in the war. The President was concerned with that. But the informal assessments, the idea that this was a very tiny fraction of what Iran was getting—you have to bear in mind, Mr. Chairman, to keep this in perspective, and that is that Iran buys—has bought about $10 billion worth of armaments over the past few years all over the world.

This was a sale of approximately $10 or $11 million and just on that size, it was clear that it wasn't going to make any major difference in the balance between the parties.

Mr. **Aspin**. So this was a judgment essentially made by the people involved on their own without asking for a formal assessment—just a judgment——

Secretary **Weinberger**. Again, it stemmed, I think, from this idea that the lives of the hostages and others could be endangered, that the idea was to keep the circle of people familiar with it to a very small circumference based upon the need to know to carry out the President's orders and that was accomplished.

Mr. **Aspin**. Let me tell you three things that I think you might have asked the military to judge on this thing.

And I think we've heard—some questions having to do with them. But one would have been the effect of these sales on our readiness. Now a small number—at times can mean that we would be without any—let me just finish if I could and you can then respond to all of them—one would have been on the effect of the arms sales or the transfer of arms to the CIA and then to Iran, the effect of all that on our readiness because at some point, especially when you are dealing with spare parts, you might not be aware that you would lose that you would end up with a very critically low number of parts in some category.

So that is something that might have been asked for in an assessment.

Second was the effect on the Iran-Iraq war, and third would have been the assessment of the effect on our ability to fight in Iran should we be called upon to fight against Iran. If we have to go in and attack Iran on some reason, would the fact that we had sold HAWKs or HAWK parts to Iran have any impact on that balance—so those are three kinds of things we might have—I take it there was no formal assessment of that?

Secretary WEINBERGER. There was knowledge of most of the answers to this, Mr. Aspin, with respect to our own readiness. As I said I think we had somewhere in the neighborhood of 146,000 or 142,000 TOWs. Two thousand transferred would be 1.5 percent of our total stock of an obsolete weapon that we were no longer using and using only in training and in maneuvers.

On the Iran-Iraq war, I think I've already covered that, that we thought it would have a very small effect in view of the correlation of forces with respect to tanks.

As far as our ability to fight Iran should we have to do that, we have, as I have said, and I can't go into more detail here, have considerable knowledge of ways to deal with anybody who had the TOWs.

Mr. ASPIN. So it was not and the HAWKs?

Secretary WEINBERGER. And the HAWKs.

Mr. ASPIN. The HAWK system is the more critical area if you're talking about that. But there was no formal assessment, this was a judgment done essentially by the people making the decision?

Secretary WEINBERGER. I did not call the Net Assessment Division of the Department of Defense and ask for a formal net assessment number.

Mr. ASPIN. Or even called Admiral Crowe and ask for his informal judgment?

Secretary WEINBERGER. And I did not call Admiral Crowe, but again those are all actions which involve widening the circle very substantially, and that would have been against the basic instructions that we had for the reasons that I mentioned, the President's great concern with not doing anything that would endanger the lives of the hostages or those people felt to be useful contacts.

Mr. ASPIN. So if we now have to strike Iran as retaliation against something in the—if they attack us in the convoys and our escorting of the re-flagged Kuwaiti ships, if they attack us and we have to retaliate against Iran, there was no formal assessment of that as to how—what we did in selling HAWKs and HAWK parts to Iran, how that made our Navy's job more difficult or our military's job more difficult to retaliate?

Secretary WEINBERGER. That is an assumption that is not warranted by the facts, that it would be made more difficult. I tried to go into as much detail as I can with you here in an open hearing, and I will be glad to elaborate elsewhere. But the fact is that while there was no formal net assessment of the results of this, the actual effects of it were well known and would not, in my opinion, impede in any way our capabilities in the hypothetical situation you have outlined.

Mr. ASPIN. Let me ask this. It does seem to be a rather strange thing because this administration, which I think in very many ways is known to be pro-defense and in a lot of ways is, seems to be very reluctant to bring the military into the decisionmaking process. I notice the exclusion of the JCS from the Reykjavik arms control proposal process to a large degree. I notice that there is no bringing the military in on this decision. I find it rather curious.

Secretary WEINBERGER. I don't agree that it is anything like a trend nor do I really agree with your two examples. The fact that the Joint Chiefs were not physically present at Iceland, nor was I, does not mean that our views were not before the President. They have been before him on that with great persistence and with whatever persuasiveness could be mustered. He has had ample opportunity and has availed himself of it.

As a result, you might have noticed the result at Aspin—the result at Iceland was that there wasn't any yielding——

Mr. ASPIN.That's Colorado—right Mr. Secretary?

Secretary WEINBERGER. I know, yes. There wasn't any yielding—at Iceland on the Strategic Defense Initiative, and that was certainly one of our strongest recommendations, and the President is totally and fully in accord with that. So the fact that there wasn't a physical presence doesn't mean that there was any exclusion and there certainly wasn't any exclusion in the other instance that you mentioned.

Mr. ASPIN. There was a awful lot of discussion at Reykjavik on the ground about—we won't get into that Mr. Secretary, but I just noted a rather ironic situation in which the way this administration operates.

Secretary WEINBERGER. Well, it is——

Mr. ASPIN. We will note your dissent. We'll note your dissent.

Secretary WEINBERGER. Some deficiency of mine that I don't see, either the irony, nor am I in agreement with you.

Mr. ASPIN. Let the record know that the Secretary dissents.

Let me ask one other area, then yield the floor here, Mr. Secretary. I think that there is a lot of discussion among the uniformed military now in the light of the Ollie North hearings and the John Poindexter hearings, and, as you, as Secretary of Defense, I would like to kind of ask your views on the judgment calls that Admiral Poindexter made and that Lt. Col. North made in their jobs. I take it—let me just ask you straight out, do you approve of Admiral Poindexter's withholding of information from his Commander In Chief?

Secretary WEINBERGER. No, I have said many times I do not.

Mr. ASPIN. And you would not want that message to go out that that was a proper way to proceed or to operate?

Secretary WEINBERGER. Of course not. I have phrased that about as forcefully as I can.

Mr. ASPIN. Let me ask you about Colonel North's conduct. He didn't withhold information from his immediate superior, but he clearly was involved in wording replies to Congress that were something less than fully accurate, and he did destroy documents, when he knew the investigation—the Attorney General was investigating his actions and others.

What do you think of the applicability of the Academy Honor Code, that I will not lie, cheat. or steal, nor tolerate those who do—is that applicable in a situation such as these uniformed men found themselves in?

Secretary WEINBERGER. I think it is generally always applicable, but Mr. Aspin you must bear in mind that I have not had an opportunity to watch these hearings to any great extent at all, and you have, and I think you are much better able to judge the credibility of all the witnesses there, but certainly in the general form in which you phrased it, yes, I believe that all the virtues and all the principles that are stated in the Academy oaths are applicable at all times and not just to Academy people, they are applicable to all of us.

Mr. ASPIN. I take it that there is a fair number of people in the uniformed services—I don't know whether it is a majority or substantial minority—who think that Colonel North is a hero. What would you say to somebody who said that they thought Colonel North was a hero?

Secretary WEINBERGER. Well, I have no estimate of how many people in the military. We have 2,150,000 people in the military, and I have not, nor do I have the slightest intention of taking any polls on what Colonel North's opinions are or what people's opinions of him are.

Mr. ASPIN. What is your opinion of him, sir?

Secretary WEINBERGER. I think he had an exemplary war record, and I don't offer any opinions on anything later, because I think you are in a far better position to judge that than I am.

Mr. ASPIN. So you would not want to comment on whether you thought he was hero or——

Secretary WEINBERGER. I think that his war record and the medals that he has won is self-evident of great bravery and great distinction on the battlefield, and those are virtues that we prize highly in the military, and should. But I have no judgment to offer on anybody else. I think that's not my position, and I'm not trying to judge anybody else or say anything to characterize their activities.

You heard him for many days here, and I think that your judgment on him would be more expert than mine. I have not worked closely with him really at all, and I confine my remarks to his war record.

Mr. ASPIN. Let me ask you this. There's an article in the paper that quoted, I think it was a Marine lieutenant general, anyway that said that leaving aside his situational ethics, that he thought that Colonel North had behaved in a way that was absolutely exemplary of a Marine. What is your comment on that?

Secretary **Weinberger**. Well, I don't see how you can leave aside situational or other ethics.

Mr. **Aspin**. I'm not sure how you can either.

Are you concerned, sir, that the result of Ollie North's testimony and the kind of reaction that he got will set off an attitude in the military that things like this are OK, are all right to do? Again, I'm talking now mainly about shading the truth——

Secretary **Weinberger**. No.

Mr. **Aspin**. —and destroying documents. And if you are concerned about that, what do we do about that?

Secretary **Weinberger**. I'm not concerned about it. I have the utmost and implicit confidence in the people in the military. There are a few individual instances where sometimes that is disappointed and not fulfilled, but they are very few and far between, and I don't think the military needs any further instruction on how to behave or situational or other ethics.

I think we are extraordinarily well-served by those 2.1 million men and women, and I'm very proud to have anything to do with them.

Mr. **Aspin**. But you do not believe that—you do believe that all people should inform their Commanders in Chief, their superiors of what they are doing, that they should in fact tell the truth and not shade the truth when they are talking to their commanders and to Congress or other forums, and that shredding of documents when an investigation is going on is not the right thing to do?

Secretary **Weinberger**. Yes, I believe all those.

Mr. **Aspin**. I have no more questions for the moment.

Chairman **Hamilton** the Chair recognizes Mr. Broomfield for 30 minutes.

Mr. **Broomfield**. Mr. Secretary, welcome.

Secretary **Weinberger**. Thank you, sir.

Mr. **Broomfield**. We are all saddened by the tragic loss of life as a result of the helicopter crash yesterday in the Persian Gulf on the LaSalle. I know that this must be weighing very heavily on you today, and I just want you to know that as far as this member, and I'm sure I speak for all the members of this committee, we share that concern and sympathy to the families.

Secretary **Weinberger**. I appreciate that very deeply sir. Any loss always seems like a personal loss to me, and that certainly is one of them.

Mr. **Broomfield**. I know that. Mr. Secretary, I remember very well last December when you appeared before the House Foreign Affairs Committee.

Secretary **Weinberger**. Yes.

Mr. **Broomfield**. And at that time you described your limited role in this matter of the Iranian arms sales, and you proceeded to tell us about your strenuous opposition at that time.

These hearings have resulted in considerable factual detail, but they still have not to my mind greatly clarified the circumstances that led to the Iran-Contra affair. The entire problem may have risen due to the President's great concern about the fate of the hostages and because of overzealous staff on the National Security

Council, frustrated by leaks and congressional restrictions, decided to proceed in extraordinary secrecy. Not only was the leadership of the Congress not notified, but even the senior officials of government were not informed, and that would even include the President of the United States.

In these circumstances, the NSC staff, and without supervision, was in a position to link the arms sales to Iran, to their secret activities in support of the Nicaraguan Freedom Fighters and no one else apparently knew. The NSC role in assisting the Contras; the infighting, mistrust, the suspicion among the executive agencies; and the personalities behind those battle royals probably all make good copy, but that isn't certainly the charter of these committees.

Mr. Secretary, I feel probably the most important focus of these hearings is on the process of government. The real issues are the deficiencies which led to the Iran-Contra affair and how we can remedy them.

Now, I have several questions I would like to ask you. I would like to get back to the TOW missile sales, because I understand that the missiles that were sold to Iran were provided by your agency, the Department of Defense, at prices considerably less than their true value.

It is also my understanding that you had the Inspector General—apparently they've reviewed this. Are you satisfied that any undercharging that occurred was purely inadvertent?

Secretary **Weinberger**. Yes, I am. Our Inspector General and the General Accounting Office I believe both reached that conclusion, and I did it as a result of an independent examination made later. That deficiency, or the actual price is still at question.

For example, we believe that we, as a result of all of these errors that were compounded when the Army computed the actual price, we believe that was $2½ million and we have billed the CIA for that additional amount. The General Accounting Office, I believe, thinks it was $2.1 million and the CIA is quite understandably relying on that, and we are in the middle of a dispute to try to get the full amount that we are entitled to back.

The wrong model number was used and there was improper computation of the packing and the handling charges, and it was a series of unfortunate but totally innocent errors.

Mr. **Broomfield**. When the CIA sells arms covertly overseas, should the Department of Defense provide them at anything less than their full market value?

Secretary **Weinberger**. No, and we do not.

Mr. **Broomfield**. During the unfolding of the Iran initiative, you have had an opportunity to try to influence this policy. I guess you have had this question put to you an awful lot of times, but I wonder if you believe you went far enough in attempting to try to change the policy of our government.

Secretary **Weinberger**. Yes, sir, I do. I can't think of anything else that might have been done that would have been in anyway effective. As we lawyers say, you run out of appeals after a time. There are no more tribunals left to appeal to.

I made these appeals many times and did the equivalent of moving for new trials, but unfortunately there was no change in the basic decision because of the conviction that this was offered a degree of hope both for hostages and for a better relationship, and I was not able to be persuasive enough, and I'm sorry that I wasn't, that that was not possible.

Mr. BROOMFIELD. I understand that we had Secretary Shultz here a few days ago, and he was telling us that your opposition was really strong.

Secretary WEINBERGER. Well, it was as strong as I could make it, and I have been told I can be extremely unpleasant.

Mr. BROOMFIELD. The Iran initiative, right from the beginning, in my judgment, was certainly a flawed policy, as you indicated earlier this morning. It just kept going.

My question is, what do you feel were the driving forces behind the Iran program, which continued despite your opposition and the reservations of other senior officials?

Secretary WEINBERGER. Well, I think that the continued reporting to the President, outside the hearing of anybody else, that there was a real chance of getting the hostages, that next week there were going to be two and the next week after that there were going to be four. If there weren't two or four, something had gone wrong, but it would be corrected the following week, and that these were really people in positions of authority in Iran and they were very favorable and friendly in these meetings that, I think should, never have taken place, so on and so forth.

I think when this is continually reported as fact, as it apparently was, that the cumulative effect of that is to be persuasive, and I don't know because I wasn't there, but I suspect this was probably what was at least a part of the element.

Mr. BROOMFIELD. Bill Casey was a major force. Do you believe that Casey's motivation was primarily in the recovery of William Buckley, the CIA Mission Chief in Lebanon—who, by the way, as everybody knows, was brutally murdered?

Secretary WEINBERGER. Yes, he was. I think that was certainly part of it.

Bill felt naturally very keenly about any of his people, as I think we all do. But I think he also felt, as he said many times, that he was sincerely convinced there was an opportunity for a genuine intelligence gain here and that this would be a very useful additional source, and provision of materials that would be very helpful to us. I think that was one of his motives, but certainly the attempting to get Mr. Buckley back was, I'm sure, loomed large in his mind. Yes, he is a very compassionate man, as is the President.

Mr. BROOMFIELD. The President's interests, of course, were primarily in the hostage area—in other words, getting them out?

Secretary WEINBERGER. Well, that was part of the motive, there wasn't the slightest question. I never heard the President discuss it at which he didn't mention also this other longer range strategic concept that we should have, with which everybody agreed, a better relationship with a country as important as Iran, and the differences came and the feelings that I had expressed many times that that was simply not possible with this present bunch of people who were in charge of Iran.

Mr. BROOMFIELD. Could the Iran initiative possibly be justified, as Admiral Poindexter pointed out and others have argued, as a strategic opening to Iran?

Secretary **Weinberger**. I don't think so for the reasons I've mentioned many times. You just——

Mr. **Broomfield**. In other words, you don't believe there is any moderate element there?

Secretary **Weinberger**. I do not.

Mr. **Broomfield**. Either before or now or——

Secretary **Weinberger**. That's right, that's been my feeling from the beginning, and all the people that they relied on are people who, when the slightest provocation is given, or without any provocation, will pour out just streams of anti-American vituperation and anti-Western hostility, and I think that represents their true feelings. They do it in the name of religion, but there have been an awful lot of atrocities committed in the name of religion and they're committing more of them every day.

Mr. **Broomfield**. As Secretary of Defense, you are the highest civilian official under the President in command of our U.S. military forces. The National Security staff also assists the President in planning of military operations and we know, for an example, that Admiral Poindexter and Lt. Col. North, they played a very major role of successful counterterrorist and other operations.

My question, Mr. Secretary: is the planning process for military operations now functioning smoothly?

Secretary **Weinberger**. Yes, I think it is functioning smoothly, and I don't think the National Security Council generally does or should plan or carry out operations. But it's functioning very smoothly now because we have one of the finest men in government with whom I've worked, Mr. Carlucci, and one of the finest men in uniform with whom I've worked, General Powell, who are now in charge of the NSC, and they are operating it, in my opinion, precisely they way it should be. They are giving advice to the President. That is based on the assembling of opinions from all people in the Government concerned with these matters. They don't have their own agenda. They are not trying to keep things from the President that disagrees with that agenda, and it is an exemplary operation, and I think very helpful to the President, certainly very helpful to me.

The idea of bringing together what are bound to be differing views is a difficult but vital art. And Mr. Carlucci is doing it, with General Powell, as they have done it in everything else that I have ever been associated with them, in a superlative fashion.

I think what we have now is exactly what we should have. What we had before is exactly what we should not have.

Mr. **Broomfield**. I couldn't agree with you more. I think Frank Carlucci is a tremendous person and a real asset to the administration.

What, in your view, are the proper roles of the Secretary of Defense and National Security Adviser in the planning of military operations?

Secretary **Weinberger**. Well, the planning of military operations I think necessarily has to be confined to the military, but the Security Adviser and Security Council have a major role to play in serving as liaison to the President and in relaying his views and in relaying the objectives that he has in mind, and general consultation.

As I say, what we have now is what I think is exactly what we should have. That is, a daily, or frequently more than daily, consultation, discussions of the various options, discussions with me of points of view that other people are taking that differ from mine, what the President has indicated he feels are the proper paths to take, and we share, of course, with the Security Council the detailed results of our planning and where we think particular operations will take us and what will be involved, the forces involved, the possible results, the possible risks, all of this is going on now in a full, fair, frank, open interchange, and that's what you need.

What was wrong before was a deliberate attempt to prevent information of that kind reaching the President on this theory that I mentioned in that one rather strong memorandum I have here, because, on the theory that what is presented maybe the President shouldn't hear because it will not agree with the agenda that the Security Council or others have, and that does not serve the President well in my opinion.

Mr. **Broomfield**. Now, I wonder if, Mr. Secretary, if you would explain the changes that have already taken place, because I think it's important to let everyone know that since the Iran initiative, the President has made a drastic change in the operation of the National Security Council, and I wonder if you would explain it.

Secretary **Weinberger**. Well, for one thing I know that the memorandums that I prepare stating my views frequently are requested by the Security Council Adviser, the Security Adviser. They're always transmitted to the President. The President, in the meetings that I've attended with him, and there are a great many, sometimes two or three a day, sometimes four or five a week, in those meetings he has obviously read these papers, he has read other papers setting out other viewpoints.

I'm aware of the other viewpoints that are presented. It's not run like some sort of a procedure to try to let somebody win an argument. It's designed to present all of the facts to the President. There is a much greater feeling of openness. We know when meetings are going to be held. We know when meetings have been held. We know what took place at the meetings. It is a sea change, a total, 100 percent change.

Mr. **Broomfield**. For years it's been the National Security Council's practice for various agencies to detail assigned senior staff to the NSC. The Department of Defense has always had a number of detailees at the National Security Council.

Do you think there's anything inappropriate about having duty military personnel serving at the National Security Council?

Secretary **Weinberger**. No, not really. I don't think it should be judged on whether a person is in uniform or not. I think it ought to be judged on their merits. We have some extraordinarily skilled and able people in the military and I see no reason why the President shouldn't have direct access to those people. There's some extraordinarily skilled and able civilians, and he should have access to them. I don't think the rule should be if you are in a uniform, you shouldn't be at the White House or vice versa.

Mr. **Broomfield**. I would say it is time to move forward and remedy the causes of the Iran-Contra affair. To a great extent, it was the fear of leaks which led to the excessive secrecy within the National Security Council.

Secretary **Weinberger**. Yes.

Mr. **Broomfield**. I think everybody would agree.

Has the dangers of leaks from Congress prevented special military operations from being carried out, in your judgment?

Secretary **Weinberger**. Well, I don't think in general terms. There's nobody that is immune, I am afraid, in Washington from leaking. I don't think Congress is immune from it, I don't think the executive branch is immune from it. I know the Department of Defense, unfortunately, is not immune from it, nor the other departments of the government.

I think it is basically not a very good way to do business, because I think there were, as far as military operations are concerned, it is absolutely vital to maintain the operational security of these activities. And inevitably in the course of doing it—for example, if operational plans require that a carrier sail from Norfolk, a very large number of people are going to know about that. This does not mean that because they know about it, it has to be printed. What we are hoping for always is not to try to suppress the information, but to try to get a greater sense of responsibility among people who do know it isn't a right to know operational activities that are about to take place.

You are talking really about the KGB's right to know, and I think that should be extraordinarily limited. But we do have a lot of people who, if they get information, feel they have to tell it immediately, and others who feel when they get it, they have to print it immediately, and I just wish we could have a little more sense of the responsibility and of the perils this sometimes causes.

Now, this is operational security I am talking about. There are a lot of stories that come out that may be just embarrassing or unpleasant, and I don't think there should be any restraint or block on those unless in one way or another they do damage to the security of the country.

Mr. **Broomfield**. As you know, there has been a great deal of discussion in the past few months about a joint Intelligence Committee.

Secretary **Weinberger**. Yes.

Mr. **Broomfield**. I think that concept probably is a good first step to reduce the number of people having access to sensitive information. But if Congress is going to require absolute notification—and that probably is coming as a result of what has happened here on the Iran-Contra affair—within a reasonable time—I don't know what that is going to be yet—of all covert activities, I want to ask you this question: do you think the President should have the option on super-sensitive issues to notify only the four top congressional leaders? And that would be the leaders of the House and Senate, the four——

Secretary **Weinberger**. I think there are extraordinary circumstances where that might be necessary. I have in mind, for example, the invasion of Grenada when a decision was made on, I believe, a Sunday night, we had to go in Tuesday morning at dawn, and the President notified three, four or five of the congressional leadership that Sunday night. I think that operation did not leak out, and I am very glad for the sake of the men and women who took part in it that it did not.

I think there are some, there's some activities that a very, a limited notification of the kind you have described would be quite justified.

Mr. **Broomfield**. Some have stated that conducting military activities through the CIA is like playing a ball game with your second string. Our real experts in military activities, either overt or clandestine, are at the Department of Defense. Should Congress develop legislation to allow our military experts to participate in properly authorized covert activities without—I want to emphasize—the War Powers Act?

Secretary **Weinberger**. Well, that is a very basic broad policy question, Mr. Broomfield. My own feeling is there are some activities of the Government which the Department of Defense is well capable of carrying out under obviously strict and complete civilian supervision. Again, I think that my worry here is that any kind of blanket, rigid rule is not apt to serve the Government as well as the degree of flexibility, recognizing that nevertheless it is a very delicate, sensitive area.

I would not favor personally anything which said that the Department of Defense never should participate in these affairs, nor would I favor a rule that the Department of Defense always has to participate. I think that what you want to try to do is assemble the most effective resources that you have, the best people that you have, and there are many activities that need to be held very closely in view of the operational security or safety of the lives.

In Grenada, we had about 1,000 American citizens and their lives were very definitely at risk. All of these are factors you have to take into consideration, and I don't think there is any blanket rule that is, that I could dream up that is applicable to every situation.

Mr. **Broomfield**. Do you believe that unconventional warfare is one of the most serious new threats facing the United States, and as a nation do we need to explore new methods to counter the unconventional threat?

Secretary **Weinberger**. I think unconventional war is a major threat. I think we are developing and have developed a considerable capability to deal with that. There are many who feel we need to do more, and I am usually one of the ones that thinks we need to do most everything, in view of the threats that we have, but I think we are developing both weapons and some superbly trained people to deal with this very real and growing threat.

Mr. **Broomfield**. Mr. Secretary, the Iranian arms sales were handled outside of the normal channels. As such, some of the usual reviews of the program were bypassed. You have testified in your deposition, and you have also mentioned again today that no real assessment was done to the effect of the transfer of the arms to Iran. In view of the importance of the military developments in the gulf, don't you think that it was necessary to have a thorough assessment of the effects of providing the arms to Iran?

Secretary **Weinberger**. Mr. Broomfield, I keep going back and asking myself whether or not it would have—what would have been accomplished by it. The assessment would have shown 1.4 percent of our stocks would go over, that it would have basically not in any sense a significant effect on the capabilities of Iran or the ability of Iraq to defend. We could have had that stated in formal language as a result of several dozen people looking at it for a long time, but those basic arguments involving all those matters were presented, and this was a matter that had already been decided.

So you talk about the full review of procedures and the normal review procedures and bringing all the people in, and that is applicable to a situation in which a matter is being prepared for a decision. This matter had been decided. And so I don't think that there would have been any purpose served except widening very appreciably the circle of people familiar with it, which would have contravened the President's great worry about endangering the lives of the hostages.

Mr. BROOMFIELD. Mr. Secretary, you, probably better than any other civilian, understand the U.S. defense and security responsibilities throughout the world. What are the strategic implications to the U.S. national defense of having two Soviet client states, Cuba and Nicaragua, in the Western Hemisphere?

Secretary WEINBERGER. I think they are very, very dangerous, and it's very bad, and a very adverse effect on our ability to defend the United States. I have said that repeatedly.

Mr. BROOMFIELD. How can we maintain a bipartisan consensus to do what is necessary to prevent the establishment of another Marxist state in Latin America?

Secretary WEINBERGER. Well, I guess we just have to do more and better of what we have been trying to do. And I mentioned this morning that the people from whom I have tried to obtain money to help the Democratic Resistance in Nicaragua was the Congress of the United States, and I spent a lot of time on that, and I am sure I have called a lot of you gentlemen in both Houses. And I think the hundred million that was voted was vitally needed, has been enormously helpful.

I, obviously, hope that more will be voted in the future. Because what you have is a state in Nicaragua that has a stronger military than all of its neighbors put together. It is a military strength that's provided exclusively by the Soviet Union with a little help from Cuba and Bulgaria and Libya, and people like that. It is becoming and well on the way to becoming a base, a second base. One Cuba is bad enough, in my opinion, another Cuba on the mainland is very bad.

So I have never had the slightest doubt about the absolute necessity of supporting the people fighting for their own freedom and for the promises that were made to them at the time of the Somoza Revolution, the Sandinista Revolution against the Somozans, and I think that policy is as valid today as it ever was. That was one of the reasons I was so horrified to find this so-called or to be told this so-called diversion had taken place. Because the importance of not having another Cuba right in our own back yard, with all of the intelligence-gathering capabilities, with all the ability to interfere with our reinforcement convoys, with our trade routes, all of these things greatly complicate the task that I am supposed to perform at the moment and greatly complicate the future security of the United States.

So I am a very strong advocate of congressional support in the regular normal fashion for military assistance or any other kind of assistance to these Freedom Fighters.

You asked what more we could do, and I wish I could give you an answer. We have made countless speeches on the subject, maybe that is the trouble. But one way or another, we have not, I think, been able to convey the seriousness of this situation and the real risk that it runs to the United States, not of Nicaragua invading the United States or anything like that, but of the presence of a Soviet base in our own back yard, and we have one now, that is what Cuba is, it is a big, armed Soviet base, and they gather intelligence, and they can interfere with our convoys, and it would divert a great deal of our military assets if we ever had to get in a war in Europe to deal with it, and another one would simply double that problem, and perhaps more than double it.

Mr. BROOMFIELD. I think maybe one of the things, benefits from these hearings, is the result, I think, of more Americans understanding what the problem has been right along, not that they would condone what action was taken by the administration.

I think most people would say it was not only a flawed policy, but it was terrible that it happened.

Secretary WEINBERGER. I don't disagree with that for a moment, but what I worry about is that some way that aberration, that one-time error, will somehow be translated into some kind of additional opposition to the people fighting for their own freedom in Nicaragua.

Mr. BROOMFIELD. I think the most important thing is if the administration will take action like they have in the National Security Council and make the necessary changes that are required, and you are obviously doing that.

I just want to close by saying I thank you very, very much for being here today. You have so many things that you have to be watching constantly. I just want you to know that I think you are doing a terrific job, and I know that is shared by many members of Congress and wish you well, and, Mr. Chairman, I would like to request the balance of my time be reserved.

Mr. COURTER. Will the gentleman yield for 30 seconds?

Mr. BROOMFIELD. Yes.

Secretary WEINBERGER. Thank you very much. That is very nice.

Mr. COURTER. I thank you very much for yielding.

I would like to make a friendly proposal to the distinguished chairman of the Armed Services Committee, Les Aspin, the committee on which I serve, and if he will pay for a poll to find out what Oliver North's opinion is in the military personnel, I will pay for a poll to find out what our committee's representation, or our committee's reputation is among military personnel, as well.

Mr. ASPIN. I would respond to the gentleman.

I am not sure that is relevant. What I was interested in in not the opinion of the military, but the opinion of the Secretary's. I already know what the Secretary thinks of the members of the Armed Services Committee. I was asking him what he thought about Ollie North.

Secretary WEINBERGER. I hope you know I have a high opinion of the Members of the committee.

Mr. **Aspin**. Let the record show that the Secretary of Defense has a high opinion of the Members.

Chairman **Inouye**. Congressman Broomfield has 2 minutes remaining.

Senator Sarbanes is recognized for 30 minutes.

Mr. **Sarbanes**. Thank you, Mr. Chairman.

Mr. Secretary, on the 19th of June in 1985, when you reviewed the National Security Decision Directive, you wrote, and I quote, "This is almost too absurd to comment on." And yet 6 months later it became the policy of our country, essentially, in terms of the proposition contained therein.

And you have been asked this, but I want to pursue it a little more. What kept us moving, what was the driving force?

Now, let me just—you went to the December 7th meeting where you argued very forcefully against it and came back and, as I had a very graphic description that this had ended. On the 7th you came back to another meeting, the 7th of January, a month later, actually the President the day before had signed a Finding, Chief of Staff Regan thought it was probably in mistake, that it was really a draft Finding but in any event, the President had signed a Finding to move ahead with sending the arms.

So when you went into the meeting on the 7th, the President had already done that the day before. Did you have a sense at the outset of that meeting that the decision had already been made that you, in effect, were in a stacked meeting?

Secretary **Weinberger**. I don't think at the outset, Senator. But as the meeting progressed, and as the points that I made were—seemed quite clearly not to be having any effect and from time to time were refuted or different viewpoints were expressed, I got the impression, as I mentioned, at the end of that meeting, that the President had decided the other way.

Mr. **Sarbanes**. Now, in questioning of Admiral Poindexter before this committee, he was asked, it was pointed out to him that Secretary Shultz and Secretary Weinberger expressed very strong opposition to this Iranian initiative. "I am curious if on that occasion or at any other time, to your knowledge, Secretary Shultz or Secretary Weinberger offered to the President any alternatives for getting the release of our hostages, alternatives to this Iranian initiative," describing the initiative that was embarked upon.

"Did they offer any alternatives to the President about how he might do it in other than this Iranian play that you were engaged in?"

And Admiral Poindexter responded: "They did not."

He was then asked: "At any time after that did they?"

And Admiral Poindexter said, "No, nor to my recollection any time before that. I just don't think that their staffs had this as a high priority item on which they were working and coming up with options. The fact is they did not come up with any initiatives."

Now, recognizing security concerns, I would like you to, within that constraint, address this assertion that you did not offer any alternatives with respect to the hostage issue.

Secretary **Weinberger**. I would have to say, Senator, that I think virtually all of those statements that you have quoted are wrong. Alternatives were discussed.

My staff and the Defense Department regarded this as a very high priority, and had alternatives, and those alternatives were presented. I am not able to go into them in open session, but I have discussed them in the closed portion of the deposition.

For you personally or, however you would want to do it, in closed session, I would be glad to develop them further, but that is simply not correct that there were no other alternatives.

Mr. SARBANES. I am familiar with the substance of that testimony, but I thought it was important in the public record at least to have—to give you the opportunity to respond to the testimony of Admiral Poindexter that you did not offer any alternatives to the President with respect to obtaining the release of hostages.

Secretary WEINBERGER. I appreciate that opportunity, and I have availed myself of it.

Mr. SARBANES. Now, as this thing was being driven, did you hear the argument made that the safety of the hostages was at stake if we did not continue the initiative and continue to send arms?

In other words, that the situation had reached the point not that the sending of arms would get the hostages out, the so-called arms-for-hostages exchange, but the failure to send arms would endanger the hostages so that just in order to sort of preserve them in the state in which they were, arms had to be sent, that we, in effect, had become hostage to the hostages.

Secretary WEINBERGER. Yes, I believe there were points made like that. There were a lot of arguments back and forth, and the point was continually made that we were on the verge of success, a point which I disputed all the time because it never, to my knowledge, had actually happened.

I never connected the release that took place with any of the activity that I disapproved of so strongly. But I think that the point was probably made that, I think it was more in the context, Senator, that we have had additional talks, if we could just give them a few more TOWs, if we can just do a few more things, if we send over people they are convinced are bona fide representatives of the United States, then we will get the people out, and these will be people we can deal with later, and we have to keep doing this.

I think it was more in that context, but it is quite conceivable at some point someone may have mentioned the point, as you very eloquently phrase it, we become hostages to the hostages.

Mr. SARBANES. Now, you did not know about the diversion, I take it, until November of 1986?

Secretary WEINBERGER. Yes. It was at that meeting that the President was told, the 24th, 25th, and I was, he had been told either a few hours before that meeting, which was some time in the morning or the day before, and he was still extremely angry about it and that is the first time I had heard about it.

Mr. SARBANES. Looking back on what happened in early 1986, do you have any reason to think that one of the driving forces behind embarking on the arms sales to Iran would have been to earn the residuals in order to establish a fund that could have been diverted to Nicaragua or, in fact, used elsewhere?

Secretary WEINBERGER. No. There wasn't ever any slight suggestion of anything of that kind. There was never any discussion in my presence of price. The only discussion there was ever of that is when I instructed General Powell that he was to have the Army get full value from the CIA, and I never heard of any negotiation between the two agencies.

We stated the price, as I have said, unfortunately, it was apparently computed wrongly, but we stated the price, the CIA paid the bills and the weapons were delivered to them, but there was never any slight suggestion there was any fiddling with the price or any adjustment to the price or anything of that kind, and certainly no slight suggestion of the Contras being in any way involved in it.

Mr. **Sarbanes**. Now, you said in response to Congressman Broomfield that the President was hearing for a month the same refrain, and you think that shifted his attitude. From whom was he hearing it?

Secretary **Weinberger**. Well, the Security Adviser was in several times a day and any other information that the Security Adviser wished to bring to his attention was there. We had meetings time to time, sometimes once a week on other subjects, not regularly scheduled meetings, but I could only surmise that that is what happened.

But one way or another, between the December meeting and the January meeting, the President seemed to have come to a different conclusion in January than he had in December when I felt the matter was finished.

Mr. **Sarbanes**. Mr. Secretary, you are one of the two, one of the four statutory members of the National Security Council: the President, the Vice President, yourself, and the Secretary of State.

Secretary **Weinberger**. Right.

Mr. **Sarbanes**. And, of course, you head one of the two major departments concerned with national security affairs. I can't help but be struck with the sort of question of simply what was going on here in terms of the operation of the policymaking process in our government?

Let me just give you a few, in a sense, minor instances, but as you go through the litany, it causes concern. In the fall of 1985, you apparently found out about the United States-Iran talks that were going on through intelligence reports from a unit in your own department and yet when you inquired about it, you were told by them that you were not supposed to know about it.

Secretary **Weinberger**. That is correct. The White House had issued instructions to them that we were not to be on the distribution list and, as I mentioned, I took very strong umbrage at that.

Mr. **Sarbanes**. You were pursuing Operation Staunch and, in effect, representing to foreign countries, leaders of foreign countries, that they should not be sending arms to Iran at a time when the United States, I gather both before January, when we moved to do it directly, previously doing it indirectly, and in both instances you were in this position of pressing a position on foreign leaders when our own country was taking diametrically the opposite position.

Secretary **Weinberger**. I am acutely aware of that, Senator. I did not know of it, as I say, until the January decision of the President it that had taken place before, but I am acutely aware that that was indeed the case.

Mr. SARBANES. You said that the memo that you sent at the end of 1986 about the talks that were going to continue with the Iranians——

Secretary WEINBERGER. Oh, yes.

Mr. SARBANES. You said you had imprecise knowledge about it because your information had not come from U.S. sources.

Secretary WEINBERGER. That is correct.

Mr. SARBANES. So you were in the position as the Secretary of Defense of obtaining information about an American initiative from foreign sources; is that correct?

Secretary WEINBERGER. From intelligence sources.

Chairman INOUYE. May I interrupt.

The Senate is now in the process of recording a vote and, Mr. Secretary, that is why Senator are walking out.

Mr. SARBANES. When McFarlane made his trip to Tehran in late May of 1986, you said you did not know about that ahead of time; is that correct?

Secretary WEINBERGER. That is correct.

Mr. SARBANES. But you subsequently picked up information about it from non-U.S. sources?

Secretary WEINBERGER. Information to the effect that there were meetings going on with high U.S. representatives and when inquiries were made, why we ultimately learned who it was.

Mr. SARBANES. Are you familiar with the PROF notes between North and Poindexter that appear in the Tower Report? When North suggested to Poindexter before departing for Tehran with McFarlane that he and Poindexter have a quiet meeting with the President and McFarlane without papers and that Poindexter might want to include the Secretaries of State and Defense and the Director of Central Intelligence, Poindexter responded negatively, "I don't want a meeting with Ronald Reagan, Shultz, and Weinberger."

Secretary WEINBERGER. I became aware of it when I read it in that report.

Mr. SARBANES. Well, Mr. Secretary, what was going on? What is your perception of what was occurring? You are the Secretary of Defense, you're a statutory member of the National Security Council. You are charged with major responsibility and, in fact, in the command and control function in the case of conflict, have a very unique and special responsibility that has been entrusted to you and yet here we are with you're obtaining information about what your own government is doing from foreign sources.

The National Security Adviser in effect is saying, no, we don't want the Secretaries of State and Defense to consult with the President. What is your perception of what was taking place in our government?

Secretary WEINBERGER. Senator, what was taking place, I believe, is what I described earlier and which I strongly disapprove of, that people with their own agenda who thought that this opening was a good thing, who knew that I opposed it and that George Shultz opposed it, did not want the President to hear these arguments after the decision had been made or perhaps indeed even to the extent that they were made before, I don't know.

But I think that that was basically the problem, and I think that people with their own agenda as I have said in the Security Council were doing everything they can and maybe their motives were good, I don't know, but were doing everything they could to put this agenda into effect and one of the ways they tried to do that was to keep away from the President views that they suspected, quite correctly most of the time, differ with theirs.

I think it was a very bad procedure. I think it has been completely corrected now because we have totally different kinds of people who have a totally different approach.

I am not trying to lay blame, or anything, I am trying candidly to express to you how I think this situation came about.

Mr. SARBANES. Leaving aside whether the intentions were well meaning or not, is it not in your view that it is an inexcusable and deplorable way to conduct the policymaking process of the Government?

Secretary WEINBERGER. Yes.

Mr. SARBANES. Mr. Chairman, I reserve the balance of my time.

Chairman INOUYE. The hearing will stand in recess for 10 minutes.

[Recess.]

Chairman INOUYE. The hearing will please come to order.

Without objection, the following exhibits will be entered into the record: EM-1 to and including 79; DTR-1 to and including 65; CWW-1 to and including 57, with the exception of CWW-40, which is presently still to be declassified, and when that is declassified, it will be made part of the record.

[Exhibits EM-1 through EM-79 appear in volume 100-9.]

The Chair is pleased to recognize Senator McClure.

Mr. McCLURE. Thank you, Mr. Chairman.

Mr. Chairman, oh there it is, I lost one of my note sheets while I was gone to vote.

Mr. Secretary, there is an area that has been referred to twice, once this morning and again just a few minutes ago when Senator Sarbanes asked you a question about being cut out of an intelligence report.

As I recall your testimony, both you and Secretary Shultz had been taken off the distribution list.

Secretary WEINBERGER. Well, I don't know what the extent of the so-called initial permitted distribution was, but the information that was given to us when we first inquired about it was that I was not supposed to be on the distribution list, that this was a mistake.

Mr. McCLURE. Don't you think it was a mistake that you were taken off?

Secretary WEINBERGER. Yes. That is the point I made with increasing clarity as the time went on.

Mr. McCLURE. And I know—and I don't want to go into it too far, but I think it is almost incomprehensible that that could happen.

Secretary WEINBERGER. It did not happen for very long, but there was an attempt to have it happen, yes.

Mr. McCLURE. Did you inquire as to how it happened?

Secretary WEINBERGER. I was told how it happened and I made very strong objections to it.

Mr. McClure. Who, who—well, I won't ask you who told you. But you were told by someone that they had received instructions to take you off the distribution list?

Secretary Weinberger. Well, not to distribute those messages to me, that is right.

Mr. McClure. And who issued that instruction?

Secretary Weinberger. It was supposed to have come from the White House.

Mr. McClure. And who in the White House?

Secretary Weinberger. I assume from the National Security Council, but I have made it very clear to the defense agency involved that they took instructions from us and they certainly were under no circumstances ever to accept an instruction that we were not to be on the distribution list for any of this for intelligence material.

Mr. McClure. Mr. Secretary, some people have said you are a tough administrator. My own reaction is had that happened with somebody under my line of authority and they had done that to me, they would have been looking for their head.

Secretary Weinberger. There are some very good people running that agency, and we wanted to take advantage of their continued expertise, and I am confident that it will not happen again.

Mr. McClure. I think there are other competent people. You know, I can understand why you might like to keep competent people around, but I find it just absolutely appalling that somebody from the National Security Council can issue an instruction to somebody in he Department of Defense that says you are not to see the product of their work.

Secretary Weinberger. I made that same point to them and as I say I am confident it will never happen again.

Senator, you know that there is a certain mystique that goes with somebody receiving a call from the White House that says to do such and such and there has been a tendency to accept that, but I am confident that it will never happen again.

Mr. McClure. I am confident it won't either, but I am amazed that it could happen once.

Secretary Weinberger. I was extremely disappointed.

Mr. McClure. There have been several references to the note that you wrote which appears in exhibit 4 in which you said the plan is absurd, it makes two assumptions that you found to be false: one, that Iran is about to fall; and the second, that we could deal with the leadership in Iran.

Secretary Weinberger. As if it were a rational government.

Mr. McClure. Then you followed that informal note up with a formal memorandum?

Secretary Weinberger. Yes.

Mr. McClure. Yet your formal memorandum doesn't make either of those points. Can you tell me why?

Secretary Weinberger. Oh, I think it does. I think it makes the point that there wasn't any way we could deal with them on a rational basis and that the idea of sending any arms as part of an attempt to get them should be totally and completely resisted.

I've not got the exact phraseology here, but I think it made the point as clearly as I could, Senator.

Mr. McClure. I have read that memorandum very carefully and it doesn't make the point that—it doesn't even make any reference at all in your formal memorandum as to whether or not Iran is about to fall.

Secretary **Weinberger**. Well, I think—I don't—haven't found it yet—I did not feel there was any validity to that point. What I did feel was it was essential to not under any circumstances transmit any arms to them.

I said that—I have got it right here, I think. "Under no circumstances, however, should we now ease our restrictions on sales to Iran. Attempting to cut off arms while remaining neutral on sales to either belligerent is one of the few ways we have to protect our longer range interests," and a number of points through here.

Basically I tried to set out in the memorandum my comments on it, all the reasons why I thought that the proposal wouldn't work.

Mr. McClure. The note on page 4, in fairness, was not your note; it was written by General Powell.

Secretary **Weinberger**. Yes.

Mr. McClure. But I would judge from the nature of the note you had made two primary points very strongly——

Secretary **Weinberger**. Yes.

Mr. McClure. When your own written memorandum carried that forward, it didn't make either of the points nearly as strongly as you had as it appeared in General Powell's——

Secretary **Weinberger**. I thought I tried to make it clear that we couldn't deal with Iran on any kind of rational basis in the memorandum.

Mr. McClure. There are several references to pricing, but I think Senator Sarbanes brought out the fact that there was absolutely no connection between the questions of pricing and the desire to generate a net profit.

Secretary **Weinberger**. That is absolutely correct; there was not.

Mr. McClure. Was there any conversation that you recall or any meetings which you attended in which there was conversation with respect to the replenishment to Israel?

Secretary **Weinberger**. No. I don't recall that aspect of the transaction.

Mr. McClure. Was there any discussion about what the Israelis would want in terms of——

Secretary **Weinberger**. I am sorry, that is until much later. I interrupted you; I am sorry.

Mr. McClure. That is all right—what Israel wanted by way of replacements because, as you indicated earlier, that was an obsolete weapon system, and I suspect they wanted the more modern, more up-to-date weapon system; is that correct?

Secretary **Weinberger**. There wasn't ever any detail that I heard, but when the matter was discussed much later, I think there was a suggestion that they wanted the more modern one. I don't really have specific recollection of that, but at the time it was alleged to have taken place or did take place, that is their transfer to Iran, I had no knowledge of it.

Mr. McClure. Would you turn to exhibit no. 17, please.

Secretary **Weinberger**. Seventeen, yes. Yes.

Mr. McClure. Exhibit no. 17 in the center of the page, there's a short question and answer and then following that a short question with a longer answer. The question was what costs are the Israelis willing to pay for the basic TOWs? And then the answer, which goes into some detail about the fair market value of TOWs, $4,900 to $5,400 depending on age, and to cover the cost of transportation and two other modifications of the TOW, one at $9,500 and another at about $15,000 each.

Now, the price that they actually paid would have been about enough to cover the cost of the median price range, the first update of the TOW, is that correct, as shown here?

Secretary Weinberger. Yes. This was not a discussion I had, this is, I gather from the note, Mr. North reporting presumably to Mr. Poindexter or to Mr. McFarlane, I guess, at that time, some conversations he had had. So that's what the paper says. I did not see it until shortly before this hearing.

Mr. McClure. And if indeed they were shopping for TOW IIs, the price that Iran paid would not be enough for the replacement with that modernized version.

Secretary Weinberger. No, the TOW II, the modern current weapon, is much more expensive, but there was never any slight suggestion of giving them that.

Mr. McClure. Several references have been made to the question of the report with respect to the deteriorating position in the war with Iraq, and I think in earlier testimony with Mr. Regan, there was reference made to a meeting in which the President made the remark that Iran was losing the war, or was about to lose the war. I have forgotten the exact quotation of the President in that meeting. And I believe it was represented that both you and Secretary Shultz were at that meeting, but neither of you undertook to correct the President's statement. Do you remember that?

Secretary Weinberger. I don't recall the President ever making a statement of that kind, Senator, no.

Mr. McClure. You don't recall that?

Secretary Weinberger. No.

Mr. McClure. If a meeting had come up in that timeframe and the President had made that remark, would you have undertaken to correct him?

Secretary Weinberger. It is pretty hypothetical, but I would certainly think so, because I think any statement of that kind would be very wide of the mark, as I understood the relative military situation between the two countries then.

Mr. McClure. Mr. Chairman, I understand there is a vote on the Floor, and I came back in order to be here. I wonder if I might reserve the balance of my time in order to make that vote and return.

Chairman Hamilton. The Chair recognizes Mr. Cheney as we begin the 10-minute rule.

Mr. Cheney. Thank you, Mr. Chairman.

~~Mr.~~ Secretary, I would like to thank you for your testimony before the committee.

Secretary Weinberger. Thank you.

Mr. Cheney. You have helped us a great deal, and I have found you covered virtually all of the ground I wanted to cover. It is my understanding, as ranking Republican on the House side, that I will have the opportunity at the end of your testimony to make a closing statement, and, therefore, Mr. Chairman, I would like to reserve the balance of my time.

Chairman **Hamilton**. The gentleman reserves 14—eh—9 minutes, and the Chair recognizes Mr. Fascell.

Mr. **Fascell**. Thank you, Mr. Chairman. Mr. Secretary, nice to see you again.

Secretary **Weinberger**. Thank you, sir.

Mr. **Fascell**. Mr. Chairman, these hearings have been characterized in a variety of ways, but here you are, one of the most powerful men in the world, sitting at the witness table with tremendous responsibility for our Nation and the free world, and here you are voluntarily testifying before a committee of the Congress elected by the people of this country. And here you sit discussing important policy matters for the whole world to see and for all of the American people to view.

And the session is an open session. I am sure that somewhere that registers on the minds of people somehow. And people who watch, listen or read can comment, they can criticize, they can laugh, they can cry, they can do anything they want to about how they make up their mind. There is a great freedom involved in this process, and I know you agree with that. We have the freedom to laugh at ourselves, to give and take criticism, just one of our many great freedoms.

And Congress has been no exception to criticism; in fact, some of our founders think that is the reason that Congress was created. Will Rogers, or was it that great Greek philosopher "Anonymous," who said, "Man is the only creature who has a sense of humor, but then man is the only creature that has a Congress."

So I am concerned, however, and I raise this, because there has been a perception voiced not only in this room, but outside this room, that this investigation is some kind of a quirk in the national psyche, that we are absolutely idiots to periodically engage in these bouts of self-flagellation, and these hearings are in some way destructive to you or to our security or to our society and our Nation and our democratic institutions, and we are causing consternation among our friends and our enemies and the world.

How do you feel about being here at these hearings, Mr. Secretary?

Secretary **Weinberger**. Well, Mr. Chairman, I have been testifying before the Congress for almost as long as I can remember, hundreds of hours literally, and I think it is an integral, important, and critical part of the whole process and certainly the freedoms which you described very eloquently are essentially what we are all fighting for, it is what we are all here for, why we are here. I have no problem with the Congress conducting hearings into any matter that it seems important to them to conduct, and I have always tried to, and as I am today, respond as fully and as freely as I can, and if they involve some operational security or other matters, I ask for a closed hearing.

But I think that there is a certain amount of puzzlement perhaps in other countries, but people familiar with the American system I don't think have any particular question to raise. I think there's regret, I have regret that I wasn't more persuasive and the matter has to be gone into, but I don't have regret at the process of going into it.

Mr. **Fascell**. Mr. Secretary, I know the feeling. Every time, many a time, I have always felt there is one more thing I could have said that would have done it.

Secretary **Weinberger**. Yes.

Mr. **Fascell**. And I always think about it at the wrong time, late at night after the event is over, perhaps.

Secretary **Weinberger**. I think that's true of any basic argument or point that I lose, and it's like the anthologist's cry: "I wish I had said that." But we don't always get an opportunity to do it. I made the points that I wanted to repeatedly, and I simply wasn't persuasive enough.

Mr. **Fascell**. Well, Mr. Secretary, an analysis, not total, but cursory perhaps, of the U.S. Information Agency's Non-partisan Daily Digest of Foreign Media Reaction demonstrates, of course, that there have been criticisms. That is not surprising. There is a diversity of opinion out there, just as there is in this country, but I want to tell you that my reading of this, and I will put all of this in the record to give us some kind of a balance, shows that the foreign press has been amazingly perceptive of this entire process that we are going through right now, and they have a true appreciation of our democratic institutions and what this particular process is all about, these hearings.

Take, for example, the July 24 editorial in Senegal's semi-official *Le Soleil,* which said, "Shultz's public testimony reveals once again those grand democratic virtues of America. In another country all of that would have been hidden. Yesterday, like today, two major forces forced high officials to speak, the press and the Congress—the press by its completely guaranteed freedom, and Congress by its obligation and its power guaranteed by the Constitution.

"These two entities constitute without a doubt the soul of American democracy. What makes America's greatness is neither its power as a state nor its military organization, but the solidarity of its institutions which transcend men and their partisan interests."

And there are many others, Mr. Secretary. These are just a few examples I have got here of both perception, sensitive perception and criticism of our process. But all-in-all, both with the criticism and the praise and the understanding, the fundamental thing is that these people understand the tremendous freedom within which we operate, where here you sit astride the greatest military colossus in the world and you are a civilian and that civilians who have been elected that come from all walks of life, every part of this great country, have the right to sit down with you as a man of such power and either disagree with you or agree with you and try to exchange ideas with you and try to make this whole system work, and that is your objective, that is our objective.

Our military strength, for example, and thank goodness we have it, is to maintain the peace. We don't want to go to war and that is the reason you and all of the men and women in the military service work so diligently and so hard in order to maintain the peace, and we on our side to derive those policies in consonance with you and the Executive in order to maintain the strength and the greatness of the democracy that has brought us to where we are today.

Secretary **Weinberger**. Mr. Chairman, that is a very eloquent and totally accurate statement of the way I feel, and it certainly, I want to emphasize, the extraordinary privilege that the President has given me of working with this highly dedicated, talented group of people in the department, both uniformed and civilian.

It is one of the glories of our country that we have that. I hope everyone realizes that extraordinarily good fortune we have to be served by people like that and, as you said, absolutely correctly, everything we do, everything we buy, everything I ask Congress for in our budget is all designed never to be used, and if we can never have to use it in war, then I will have considered that we have a totally and complete success.

Mr. **Fascell**. Mr. Secretary, I want to thank you for appearing, for being here, and I appreciate your thoughts about our system, and answering all of the questions that you have very forthrightly and candidly and to say that you have participated along with us in a process which demonstrates not our weakness but our strength.

Secretary **Weinberger**. Thank you, sir.

Chairman **Hamilton**. The Chair recognizes Mr. Hyde for 10 minutes.

Mr. **Hyde**. Thank you very much, Mr. Chairman. And Mr. Secretary, I join in the accolades of my colleagues.

I think you have been very helpful to us. We are reaching the end of these hearings and we are going to all think about some summing up. What did we learn? And that is a prodigious problem, just to try to decide beyond who did what, why they did it, what conditions existed for making these sorts of decisions possible and how can we avoid it in the future.

And, you know, in trying to understand the reluctance, even the hostility, of the military mentality from holding back from Congress essential information about these operations, I have tried to put it in context because Admiral Poindexter is a good, honorable, decent man, Colonel North, a good, honorable, decent man. And others—no sense in going on and naming them.

What caused them to lie? What caused them to withhold and to deceive, to mislead?

I have thought often it is the concern about leaks and Colonel North put it very starkly—lies and lives, whether you are talking about hostages or you are talking about Contras. There is a disposition on the part of some to say, if I don't agree with the policy I will talk about it publicly and stop it in its tracks, and that is something that I think creates a justifiable paranoia, if such a medical term exists. But I have been thinking going beyond that. Anybody touched by Vietnam, anybody who experienced it "on the ground" as distinguished from "in the air," on the ground, like Colonel North, like Bud McFarlane, has a mind set, inevitably a mind set that is directed against the political mind.

Many consequences of the Vietnam tragedy happened: people became isolationists, semi-passivists, Vietnam Veterans Against the War, other people become very embittered at politicians and they are convinced that it was the loss of political will, the refusal to let our side win, you couldn't win, you couldn't lose, you could just die over this.

And that bitterness has stayed with people, with some justification.

Now, here you have against a background of the Bay of Pigs, which I viewed as a betrayal, the Vietnam experience, where the politicians didn't have the will to win, and McArthur's brilliant words: "There is no substitute for victory," that is another war we didn't win. We didn't lose that one, but we didn't win.

This is the first one we lost, the first one we lost. Anybody who feels deeply about that, who fought over there on the ground and saw people die or who got wounded, has to be touched by them.

And so they come up here, I remember a memo Bud McFarlane, he talked about one politician, one of the few he had respect for was in the memo, and I forget who that was, frankly. But I am just wondering, as we sit here in judgment on the executive, on the executive, whether we ought to look into our own hearts and wonder whether there is something we can do that would dissipate or defuse or diminish the opportunities, the occasions for lying to Congress or not communicating with us.

It isn't so much oversight, as it is input. I think some of us have something to offer to the administration, to the executive on, no matter how secret the operation. I think something could be learned from political consequences.

But I just think in looking at this situation we have to understand before we adjudge, before we sentence anybody, I think we have to put ourselves in the shoes of people who went through that experience and who perhaps with justification are embittered at the political mind.

And, secondly, and lastly, what is the bottom line? Can America ever be a force for good in the world?

The old right used to resist intervention because it said we would be corrupted by the rest of the world if we intervened over in those foreign lands. The new left resists intervention in Central America because we will corrupt the countries where we intervene.

We are a force for evil. I am exaggerating for the sake of emphasis, but that overhang is very, very present in political debate today. We, the non-interventionists, the isolationists, the quasi-passivist notion that we can't be a force for good.

I believe America is the ultimate force for good in this imperfect world that we live in, and I hope that we learn the necessity, the urgency, the indispensability of cooperation, of sharing goals, of depoliticizing everything we look at and we touch.

In the words of Henry Jackson, that "in national security matters, the best politics is no politics," I think these have been marvelous hearings. I think we have learned a great deal about human nature. We have more to learn about human nature, about why people do things, and hopefully the Presidential monarchists, of which I am one, will be educated by the congressional supremacists, of which we have several up here, and somewhere in the middle we will reach a balancing, a final balancing as between the responsibilities of the President, who should have a longer vision than we mere politicians who are too often distracted by an election every 2 years, and our parochial interests.

These have been great hearings, I think, if only to highlight those questions, and you have made a contribution, an immense one, and I thank you.

Secretary **Weinberger**. Thank you very much, Mr. Hyde.

Mr. Chairman, I wonder if I could make one quick comment on that, because Mr. Hyde has made some extraordinarily perceptive and correct points.

I don't think it is generally understood how deeply scared the American military was by Vietnam. We should never, ever consider entering any kind of conflict unless it's important enough for us to win, and then entering it with the resources that are required to win, and if we do anything other than that, we are, I think, betraying the men and women we ask to serve and perhaps to die for the rest of us.

And that was a perception that was not only that the politicians at that time were responsible, but that the press were not in any sense favorable to the United States. And without in any sense passing judgment on whether this was correct or not, this is a feeling which a very large number of people have, and it has led me to conclude that we should be cautious about intervention but that we should not hesitate to do so if the cause is important enough for us to require intervention, but then if it is, to intervene in a way that guarantees, to the extent you can in war, that we will prevail.

But there is that feeling, and that's why I have studiously refrained from trying to pass judgment on anybody else except with respect to particular actions that involve this whole transaction, not their past records or their character, most of whom I think I admire and most of whom I think, as you said, are honorable, decent people. They had a different agenda. They had a different set of ideas, but then a lot of people have a different set of ideas than I do.

Mr. **Hyde**. And may I just say, Secretary, it is this Member's opinion once you are a hero, you are always a hero. You may fall, you may falter, you may commit mortal sins and venial sins, but if you served your country as well as some of the people we have heard here, I would never denigrate their heroism. It is an achievement that is not easily denied.

Secretary **Weinberger**. That's absolutely correct.

Mr. **Hyde**. Thank you.

Chairman **Hamilton**. The Chair recognizes Senator McClure. He is one of the principal questioners and he has 19 minutes remaining.

Senator McClure.

Mr. **McClure**. Thank you, Mr. Chairman.

Mr. Secretary, we were discussing, just before I went to the floor to vote, the meeting on November 10 when the President made certain remarks and I've reviewed your notes of that meeting, which in formal—or exhibit No. 28 in the formal, typed responses, but I want to refer to what I think is exhibit no. 57 in your book, which are the notes of that meeting taken by Mr. Keel. If you will refer to page—excuse me, taken by Mr. Regan—page 12 of those notes, the bottom of the page. Mr. Regan has a reference, the last entry on that page is the President: "Side with military superiority, will win, we want to have things even, this helps Iran, which was weaker."

Secretary WEINBERGER. Which page was this, Mr. Senator?

Mr. McCLURE. Page 13, the bottom of the page.

If I recall your previous testimony, you just don't remember that having been stated.

Secretary WEINBERGER. No, I don't.

Mr. McCLURE. And your note, which is exhibit no. 28, doesn't have any reference to it at all, so your memorandum conforms to your memory as you recited it to us today.

Mr. Secretary, how long have you known the President of the United States?

Secretary WEINBERGER. Oh, I guess over 20 years.

Mr. McCLURE. You became acquainted with him when?

Secretary WEINBERGER. In California in, I guess, very early 1960s when he was one of the few people who would do anything to help the political party to which I belonged and which I was an officer at that time. He would go anywhere, do anything we asked, and make extraordinary, effective speeches and actions.

Mr. McCLURE. You have been described by various people in various ways, but one I want to make reference to right now is the fact that you probably have known the President longer and more closely than anyone now in his Cabinet or in his close administration.

Secretary WEINBERGER. Well, that may be, and I would only add I have an increasingly greater admiration for him all the years I've known him and nothing that has ever happened has changed that or will change that.

Mr. McCLURE. Why, in view of your long association and the obvious respect and friendship that he shows and holds for you, why did he reject your advice and accept that of others?

Secretary WEINBERGER. There's no requirement anyone, old friend or new friend, take anybody else's advice. The President was elected by enormous majorities of his fellow citizens to make decisions. He, I felt, was entitled to the advice.

He was kind enough to suggest right after he was first elected I could help him, and I came back only for that purpose, not having expected to return to Washington any more, and I do that in the best way I can, giving advice that seems to me to be correct, but I have never felt he is under any compulsion or requirement to accept that advice, and my respect and admiration for him never changes whether he accepts it or not. I just happen to think he is a great man.

Mr. McCLURE. I don't disagree with that assessment at all, although I agree with you and not with him on the judgment he arrived at in this particular instance.

You made some reference earlier to the fact somewhere between the December meeting—January meeting, he changed his mind?

Secretary WEINBERGER. That seemed to me to be apparent, yes.

Mr. McCLURE. I think in response to Senator Sarbanes' question, you indicated one of the reasons you had in your mind or have now in your mind as to why he may have done that is that others, and particularly the National Security Adviser, had daily access to him and you didn't, daily contact with him?

Secretary WEINBERGER. I had access whenever I wanted. I tried to use it sparingly, but they——

Mr. MCCLURE. I'm sorry I used the term "access." I should have said daily contact with him. And you did not.

Secretary WEINBERGER. I think that given the strong desire of the President to do something about the fate of our hostages, to get them out, given the completely correct conclusion that I thought he reached, that it would be a very important thing for our security to get a better relationship whenever we could with Iran because of its geographical and strategical location, situation, I think he was receptive to this, and I can only speculate, because I was not there, but I can only speculate that there were repeated suggestions that pursuing this initiative would result in the goals that the President had, and that there were new evidence and one of these dreadful people over there had said something good one day or had modified his hostility or thought that three hostages would be coming out in a short time and the constant drum beat of this may very well have led the President to conclude that there was a chance for this thing to work.

I had argued that it wouldn't, and he heard that. He was perfectly entitled to make his own, reach his own conclusions.

Mr. MCCLURE. I want to talk a little bit more about the process and then I am want to change subjects.

But on the process, a great deal has been said in earlier testimony about compartmentalization as a means by which you protect the security of any ongoing operation that is secret.

Secretary WEINBERGER. Yes.

Mr. MCCLURE. I think you understand that term and the necessity for it.

Can you conceive in your mind of any circumstances in which compartmentalization would exclude responsible Members of the Cabinet?

Secretary WEINBERGER. No, I think that you can carry compartmentalization too far, and I think that it probably was in this case without any question.

Mr. MCCLURE. How about compartmentalization that would exclude the Joint Chiefs of Staff?

Secretary WEINBERGER. I think that would be wrong, too, if it were a matter in which they were intimately involved. They are not involved generally in policy decisions.

They perform the extraordinarily important necessary role of preparing and committing and planning to commit in a way that will bring success to our military forces to policy decisions made by the President.

So there are many matters on which there is no particular need for full consultation on the policy aspect of it. But there is no way that the military aspects of operations that once decided on by the President could be successfully carried on without the full knowledge of the Joint Chiefs.

Mr. MCCLURE. Mr. Secretary, let me change now to the other end of this inquiry and that is the Contra policy.

You have been asked very few questions today about your view of Central American policy and the necessity for assistance to the Contras.

I am sure you have views.

Secretary WEINBERGER. Yes, very strong views.

Mr. MCCLURE. Would you care to comment?

Secretary WEINBERGER. Well I just think that it is absolutely essential that we support in a visible, open way people who are fighting for their own freedom, freedom that was promised to them by the Sandinistas and denied to them.

There is no freedom of any kind as we understand it in Nicaragua and that is a very serious aspect.

There is another very serious aspect and that is the denial of freedom to the people who were promised it is coupled with a total adherence to and subservience to the Soviet Union and the very large military machine that the Soviet Union has bought, paid for, and supplied and placed in Nicaragua constitutes, I think, a real threat to us as any Soviet base in our hemisphere would.

And that is a source that I am very disturbed about, and I think it is very important that we do everything we can to help the Contras from both points of view.

I think that help obviously should be done by appropriation by the Congress, and I have talked with many Members here repeatedly urging that they support the President's request, $100 million last year, the actual request this year is $105 million.

My understanding is it is going to be increased, and I hope the increased sum will be voted. I think it is absolutely vital.

I think it is even more vital now that all these attempts or whatever it was that were made to assist in non-straightforward means that are provided for in our regular statutory framework, that none of that distract us from the basic importance and essential correctness of the requirement of supporting the Democratic Resistance in Nicaragua.

Mr. MCCLURE. What is the relative level of support, military support that comes from the Soviet Union to Cuba and Nicaragua compared to the military support the United States is providing to the Resistance forces in Nicaragua?

Secretary WEINBERGER. Oh, probably, 10, 15, 18 times to 1, and it is going up. There are more—there are many more tons of military cargo being shipped this year than last year, and that is continuing generally on an increasing scale.

Some months it levels off, but at the end of the year, it is considerably more than the previous year.

Mr. MCCLURE. So much for glasnost.

Secretary WEINBERGER. Yes.

Mr. MCCLURE. Mr. Chairman, may I reserve the balance of my time?

Chairman HAMILTON. Senator McClure reserves 8 minutes and the Chair recognizes Mr. Courter.

Mr. COURTER. Mr. Secretary, it is good to have you here.

Someone quoted Will Rogers and I am just going to start out by quoting Yogi Berra. It had to do with how to get rich in the stock market.

He was asked how you buy stocks and make out very well. He says, "Well, there is one simple trick. When it goes up, you sell. If they go down, you don't buy."

Obviously it is very difficult to know when they go down. In this particular situation, referring to the continuing episode of weapons sales to Iran, it seems to me that there came a time someplace along the road that it was pretty obvious the stock wasn't going up, that it was going down and you had to cut your losses and get out.

I have asked generally this question before and I'm going to ask it of you—I ask it of Secretary Shultz and I would like to have you take a crack at it as well.

What type of process change inside the White House do you think is necessary in order to make sure that these very controversial operations that have substantial risks that are not basically showing the benefits that were originally attributed to them are reviewed on a periodical basis?

Part of the problem here is that in the very beginning, it looked like to the President a bad idea. He was persuaded that it was a good idea in a very short period of time.

The operation began and if someone had reviewed this thing on a periodical basis, that was not a total and complete diehard advocate, I think we would have reassessed this long before 11 or 12 months went by.

I would like you to field that question if you would.

Secretary WEINBERGER. I think primarily I think you need to have people advising the President, people in the National Security Council who want to have things reviewed, who do not feel that it is their agenda and they don't want anybody to interfere with it or to block it or to stop it or to look at it again. And that is exactly the situation we have now.

We have people who want to have these things reviewed and who do review them and who, if any of us want to have then reviewed or a particular point made, we could get that with a single telephone call.

I think what we need is essentially what we have now so that it is not so much a matter of process as it is a matter of getting the people in who believe firmly that they serve the President best by getting all of the facts before the President and giving him the opportunity to make informed decisions about these critically important matters that the people have entrusted to him.

Mr. COURTER. So basically if I can summarize your answer in different terms you are talking about personnel, a change and requirement to have good people rather than a process or structure change at the White House?

Secretary WEINBERGER. Yes. I don't think any fundamental structural change is needed now. I think what we have now is exactly what we should have and what we have needed.

As I say, I have unbounded admiration for Mr. Carlucci and General Powell and others who are there, and I think they serve the President extraordinarily well.

Mr. COURTER. You indicated in your testimony that you kind of disagreed with Secretary Shultz about moderates in Iran. You thought all of them would have been killed who basically were not in existence, and that, therefore, any type of an effort, whether it be through the medium of selling weapons or not for rapprochement with Iran was doomed to failure. It was folly.

I would just like to know whether your opinion is that there is no pragmatic elements in Iran that may seek and gain influence and power in the near future after the Ayatollah's demise or after he is out of power, pragmatists that may not believe in our form of government or may not love the United States, but pragmatists that recognize the Soviet Union is not far away, individuals in Iran that recognize that both the United States and Iran have a common interest in reducing Soviet influence in that part of the world.

Secretary **Weinberger**. Mr. Courter, I think there may well be some people like that. I don't think they are in government. I don't think they would be allowed to remain in government, and I have no evidence that there is any organized or substantial, if you like, group of people, certainly no one in power at the moment, who has anything except venomous hatred to the United States and behaves in a thoroughly fanatical and irrational manner as far as the United States is concerned.

I would like to have things differently. I just haven't seen at this point any possibility of any kind of rapprochement or opening to Iran as it is presently constituted.

I think that is very unfortunate, because it is a—strategically situated geographically—situated in a way that makes it an extraordinarily important country for both the East and the West.

It was vastly different when we had the kinds of relationship we did with the Shah and we recognized that by helping to strengthen the armed forces of Iran.

Sadly, that was all lost and we now have a very difficult situation that I would like to change, but I don't think you are going to change it by the people in office in Iran now or anyone who is presently on the horizon there.

Mr. **Courter**. Our human intelligence, I would imagine, without going into classified information, is probably not so good in Iran if it exists at all, and it seems to me that if we don't have that type of intelligence on the ground in Iran, it would be very difficult to say that there is nobody in the Government or that may be in the Government that may not have a different opinion than the particular rulers they have now.

Secretary **Weinberger**. I can only give you my impression based as it is on all of the information that is available to me that I have read and the conclusions that I have formed.

As I say, I wish that it was otherwise, but I cannot in any honesty tell you that it is.

Mr. **Courter**. Mr. Secretary, if I could shift your attention for just a few moments on another thing, Presidential Findings, we have heard a lot about Presidential Findings. I am one that believes that they should be in writing. There shouldn't be a thing such as an oral Finding. I think the memorialization of that type of a decision is absolutely essential.

I think there are some people, however, who testified, and they may have a point, that their concern is if we draft statutory requirements or if there are bureaucratic rules attached to an expanding of the number of entities, agencies, offices, or individuals that have to check off on Findings, the desired goal of secrecy may be compromised.

I wondered whether, in your opinion, whether you can testify as to the ideal group of people that would be involved in a Presidential Finding.

Is this something that State should always be involved with, something that the Attorney General should always review?

Is it something that I think it was Secretary—I think it was Don Regan who said perhaps the President's counselor should always check off on? Do you believe that the CIA should check off on Presidential Findings, the National Security Adviser to the President, perhaps individuals in Congress—where do we go and what is your opinion on that?

Secretary **Weinberger**. Most of the Findings with which I am familiar have been through the process essentially that you describe. I would find it hard to believe that there could be a situation in which a Finding was made by a President with respect to covert action in which the State or the Defense Department should not be involved, the Security Adviser should certainly be aware, the Attorney General should—views should be taken, but this is still a pretty narrow circle.

Again, I think the matter should be decided on the facts and the requirements of each situation.

But certainly I think any decision is going to be better if it is—if a number of viewpoints are obtained and the balance has to be struck.

It is a difficult question, but you do have to strike the balance, because frequently the whole purpose of a Finding can be negated and frustrated if it becomes very widely known and the objects of the Finding are thoroughly familiar with it.

We have to utilize our great advantage of freedom in a way that doesn't hurt ourselves.

It is always a nice balance that has to be struck, but among the people you listed, I would think all of them should be familiar with Findings at all times, and I believe there is a new procedure which Mr. Carlucci has instituted in the Security Council with respect to Findings that essentially makes that same point.

Mr. **Courter**. Directing your attention to following up on Senator McClure's questions and a couple of other questions directing on Central America, particularly Nicaragua, and indeed all of Central America some people say that it really doesn't have a part to these hearings. I think it does. I think probably without the diversion we wouldn't be here today.

The money that was diverted from the weapons sale intiative to Iran was sent to help the Resistance—the Democratic Resistance in Nicaragua.

My question of you is a military one and intelligence one and maybe you have opinions on it that are based on assessments in the communities that you deal with on a regular basis.

We do know that Nicaragua, I think it is generally understood, is under a situation whereby totalitarianism is spreading dramatically, that the country is consolidating under a regime that will be a puppet to the Soviet Union and Cuba and the question I have is, if we do nothing, if the Contras fade into the sunset, they cease to become any type of a viable or political military entity in that particular country or that part of the world, what in the estimate of the Defense Department or the estimates that you read from other important intelligence-gathering agencies would be the future of the fragile democracies in Central America?

Secretary WEINBERGER. I think it would be greatly endangered. You have to bear in mind, Mr. Courter, that all our attention has been focused on Nicaragua and the dictatorship that is there and all the undesirable practices there.

You made a good point in alluding to the fragile democracies around it. Everyone of those neighbor countries is now basically a democratic country: Honduras, Guatemala, Costa Rica, El Salvador, these are countries that have had attempts made to turn them into dictatorships many times in the past.

Every one of them now is a democracy. It is a fragile democracy. Their combined forces are outnumbered, 2, 3, 4 times to one by the Nicaraguan military supplied and furnished by the Soviets.

I feel that if there is no Resistance, if there is no attempt to turn, to being democracy into Nicaragua, that we will not only have another Soviet base on the mainland in Nicaragua, but that the future of all of those countries is substantially imperiled and I think they think so, too.

That is one of the reasons, for example, that Honduras has been receptive to the ideas of our assistance in a number of ways, and I think that they would simply not be able to continue to exist very long, because basically the Soviet history and the Soviet history of the way they use their puppet states is to make expansions, and I would see in a fairly short time if we did absolutely nothing that we would have not only the Soviet base in Nicaragua, but it would be an expanded base and one that could add very seriously to the complications of defending the continent and require us to divert a large number of our forces back into this area, which is another of the Soviet goals.

They have been trying ever since the foundation and formation of NATO to break it up and to decouple the United States from Europe, and this is another way they could succeed.

So all of these are considerations that I have in mind, that we have to have in mind, I think, when we consider the problem of whether or not there should be assistance to the democratic groups fighting for their freedom in Nicaragua and I come down unequivocably on the side that we should help them, open and above board, with funds appropriated by the Congress in sufficient amount.

COURTER. I know you do. I agree with you.

Thank you very much for your testimony.

Thank you, Mr. Chairman.

Chairman INOUYE. Thank you very much.

Mr. Secretary, it has been a long day—the committee will stand in recess until the police restore order.

[Recess.]

Secretary WEINBERGER. Mr. Chairman, I was about to make you an offer to stay until 8 or 9 o'clock tonight.

Chairman INOUYE. We're in recess now.

[Recess.]

Chairman INOUYE. The hearing will please come to order.

We will stand in recess until 9:00 o'clock Monday morning, and I can assure you, Mr. Secretary, we will be through by 1:00 p.m. Monday.

Secretary **Weinberger**. Thank you very much, sir.

[Whereupon, at 4:45 p.m., the Select Committees recessed, to reconvene at 9:00 a.m., Monday, August 3, 1987.]

JOINT HEARINGS ON THE IRAN-CONTRA INVESTIGATION

Continued Testimony of Caspar W. Weinberger

MONDAY, AUGUST 3, 1987

Senate Select Committee on Secret Military
Assistance to Iran and the Nicaraguan Opposition
and
House Select Committee To Investigate
Covert Arms Transactions With Iran,
Washington, DC.

The Select Committees met, pursuant to call, at 9:00 a.m., in room 325, Russell Senate Office Building, Hon. Daniel K. Inouye (chairman of the Senate Select Committee) and Hon. Lee H. Hamilton (chairman of the House Select Committee) presiding.

Chairman Inouye. The hearing will please come to order.

Good morning, Mr. Secretary.

CONTINUED TESTIMONY OF CASPAR W. WEINBERGER, FROM JULY 31

Secretary Weinberger. Good morning, sir.

Chairman Inouye. Chairman Hamilton?

Chairman Hamilton. The Chair recognizes Mr. DeWine for 10 minutes.

Mr. DeWine. Thank you very much, Mr. Chairman.

Good morning, Mr. Secretary.

Secretary Weinberger. Good morning, sir.

Mr. DeWine. We've getting near the end. I am sure we will be able to conclude this morning.

Mr. Secretary, let me just ask you a few broad, general policy questions as we wind these hearings down to get your opinions about them and to maybe cap your years of experience in government and the Cabinet.

First, let me ask you about the suggestion that has been made about the possibility of having Senate conformation of the NSC Adviser and also, as you answer that, if you could comment, if you see there is a need for any kind of statutory change in the makeup of the NSC.

Secretary Weinberger. On Senate confirmation, Congressman, I don't know that it would make any very major difference. I think the people that the President chooses are people that he feels confident with, people whom he feels comfortable with, and that Senate confirmation would certainly be a process which would re-examine and complement, perhaps, the investigative process that the executive branch themselves had conducted.

I think there would have been no refusal of confirmation of any of the people who've served as National Security Adviser. So I wouldn't feel very strongly one way or the other about it.

I wouldn't at this point see any need for any statutory changes. As I have said, I think it is important that the National Security Council staff not engage in operations. I think what you really need is essentially what we have now and what we have now are some of the very best people that I have ever served with in government over many, many years.

Frank Carlucci, General Powell, Bill Webster now at CIA, all of these are extraordinarily able, dedicated people with a very keen understanding of the relationship between the branches and with a very strong desire to serve the President, to serve him as well as they can, and so I don't see any need at this point for any statutory changes.

I think we are just very fortunate now to have the kind of people in who are doing what in my opinion is precisely the role of the National Security Council.

Mr. DeWine. Let me move on to another area. There have been specific and general proposals about changing the notification requirements to Congress in regard to covert activity. One proposal is that there be a specific time limit on that notification.

Do you have any comments on that?

Secretary Weinberger. Well, not really. The requirement, I guess, at the moment is for something called "timely notification."

I have no problem at all with notification to a small group of the leadership people. The thing that I worry about mostly are a few things that involve operational security.

We have had three or four of them recently. We have one actually underway now, of course, in the gulf where operational security is a major factor.

There has been full notification on that, and no problems that I know have arisen from that notification.

I think there are some very sensitive activities which we will have to engage in in this kind of world, and I think a limited notification to the leadership of the House and Senate or the leadership of the Intelligence Committees would serve both purposes.

Generally speaking, I think the notification ought to be given within a short time after the conclusion is made by the President that a particular activity has to take place.

Mr. DeWine. Do you have any general—any comments, though, about writing it into the statute with a specific time certain whether there would absolutely be no flexibility under any conditions?

Secretary Weinberger. I do have problems with the rigidity and inflexibility, because its so impossible to try to predict precisely the kind of operation you are going to have.

It may be if there was a 48-hour requirement, we would—in 48 hours be doing something very, very critical.

I think timely is a perfectly good word. There can be certainly definitions of it that could narrow it down, and again, if the notification that ordinarily is given to a wide group of people, if it is appropriate to narrow down that, why then I wouldn't have any trouble really with the time.

I think anything that fixes a rigid time or an inflexible time is not a very good thing.

Mr. **DeWine**. Mr. Secretary, my good friend Henry Hyde has proposed a bill which has obtained a number of cosponsors which would combine the Senate and House Intelligence Committees, cut down the number of staff, cut down the total number of people serving on that committee.

Would you think that would be a good idea?

Secretary **Weinberger**. Well, this early, yes, but I think that again you would have some situations in which more staff, maybe fewer staff would be needed, but I think that anything that narrows the circle basically on these very sensitive activities is probably a step in the right direction, because the wider the circle—without impugning anybody's motives or morals or anything else—the wider the circle, the more the chance is that those who should not know, those in whose interest it is in only doing harm to the United States ultimately do get to know.

We have our free society. We should never change a bit of it. But it does mean we need to be extra vigilant so that we don't imperil things that have to be done in this kind of a world.

Mr. **DeWine**. You have been very eloquent in the last few days in your testimony about the aid to the Contras. Could you specifically comment about the advantage or disadvantage of going to maybe a 2-year appropriation—a longer period of time?

Secretary **Weinberger**. I am strongly in favor of 2-year appropriations and 2-year budgets. Our Department, as you know, turned in a full-scale, 2-year budget in January of this year. I wish there would be consideration given to both years.

I wish there would be consideration given to the first year because what we really need is to have some kind of early determination, and if you could have a 2-year budget for all of these activities, defense, security activities, indeed for the government, I think it would be very much better.

This wouldn't narrow congressional oversight. It wouldn't mean that the Congress couldn't come back and review the second year, anything of that kind.

But the advantages of knowing what you have, what you can deal with, and knowing that far in advance are really enormous.

You can do—you can accomplish very much greater things. You can save a lot of money, and again, we have to contrast it with the Soviet system where four or five people in the Kremlin can decide not only how much they are going to spend, but what they are going to do for 5 or 6 years.

Sometimes I am lucky if I know what we can do 2 weeks from now.

Mr. **DeWine**. Mr. Secretary, I want to thank you for your testimony and also thank you very much for your many years of service to this government.

Secretary **Weinberger**. Thank you, sir.

Mr. **DeWine**. As we close down these hearings, at least the public phase of the hearings, or at least appear to today, it just seems to me, Mr. Chairman, Mr. Secretary, some things are very clear.

One is that we had a policy, arms to Iran, that, as you pointed out, was clearly a mistake. It was seriously not only a serious mistake to have the policy, the implementation of that policy was seriously flawed, as well.

It is clear, also, from the evidence that we have heard that there was lying and deception by officials when this story was breaking.

There were, however, some good things that we can say. The Attorney General's performance in a 6-day period of time in my opinion, while it wasn't perfect, did get the basic job done.

Basic facts got out. We have learned some more facts from these hearings, but the essential facts, the diversion memo, for example, was found by Brad Reynolds of the Justice Department.

I think there also—that the evidence is very clear—that this President learned from history. And I think it is very important that that happened. This President of the United States did learn from history.

He immediately, once Mr. Meese came to him with the essential facts, ordered the Attorney General to carry out the investigation, what I refer to as the quick 6-day investigation that uncovered the basic facts.

The Tower Board was appointed by this President. Independent counsel was appointed. And there was clearly cooperation with Congress. And I would say unprecedented cooperation if you look at the specifics.

I think it is unprecedented a President would allow his personal diary to be looked at, that the applicable—the pertinent sections of that diary could be referred to by the committee or at least seen by the committee.

I think it is also very, very unusual, as you have pointed out, that Cabinet officials would be instructed by the President to come to Capitol Hill to discuss their advice to the President of the United States and to discuss further what the President said back to them.

I fully understand why the President did it. I don't disagree with him. But as I pointed out earlier, and as Mr. Hyde has pointed out, Mr. Cheney has pointed out, we have got to be careful that we state publicly this cannot be and should not be a precedent.

Finally, I think the thing—one other thing I have learned from these hearings that has been very interesting and I think necessary for us to fully understand what happened is that U.S. officials who were working in Central America, who were either down in the field or who had that as their assignment, felt what they described as a moral imperative, a moral imperative to keep the Contras going.

That does not justify some of the things that went on, but it explains it and allows us, I think, to have a better handle on the story and a better feel for the story. I don't think we can fully understand that unless we understand that moral imperative they felt when the Contras, they felt, were sinking and Congress was, in fact, not during that period of time, giving aid.

Let me close, if I could, Mr. Chairman, on a personal note.

I became involved in this whole Iran situation, Iran-Contra deal, back in December. I was involved because I was a member of the Foreign Affairs Committee. And one of my friends and colleagues came out of a hearing and made the statement that in his opinion the evidence was the President knew about the diversion.

I took objection to that. I objected to that, went on TV. Some people interpreted that as defending the President and maybe in a sense it was.

But that was not my specific intent. My specific intent was to say, as I did at the time, let's wait. Let's wait until we get the basic facts out. Maybe they will show it. Maybe they will show the President knew about the diversion, maybe they won't show that.

The evidence now, some months later, 7, 8 months later, after we have heard from hundreds of witnesses, after we have looked at thousands of documents, after we have spent several hundred hours in testimony, clearly is that the President of the United States did not know about the diversion.

The evidence clearly is that the President of the United States did not authorize the diversion.

In summation, there is and was no smoking gun. That is very clear after this evidence.

Finally, Mr. Chairman, let me just conclude by saying this: after listening to the evidence, after hearing all of the testimony, the different witnesses that have been in front of us, I think it is clear that with very few exceptions, most of the witnesses and really most of the actors in this story were motivated by good intentions.

They thought what they were doing was correct. And while this story may not reveal, may not show us very many heroes, it is equally true that it doesn't show us very many villains.

Mr. Chairman, I thank you very much for the extension of time.

Mr. Secretary, thank you.

Secretary **Weinberger**. Thank you.

Chairman **Inouye**. Thank you sir. Senator Rudman.

Mr. **Rudman**. Thank you, Mr. Chairman.

Good morning, Mr. Secretary.

Secretary **Weinberger**. Good morning, Senator.

Mr. **Rudman**. I found your testimony very interesting in terms of your vehement opposition to this entire plan back at the time it was first briefed to you. It is kind of interesting—I don't know, Mr. Secretary, if you have seen this morning's papers, but on the front page of many of the national papers is a quotation from Mr. Rafsanjani from the Islamic Republic News Agency.

It says, amongst other things, just attacking the United States and recommending retribution against us in the gulf, this rather interesting statement, "We, as soldiers of God and implementers of divine principles, oblige ourselves to avenge these martyrs by uprooting Saudi rulers from the region."

Of course, as you know, from what you have learned from the Tower Board and these hearings, Mr. Rafsanjani was the ultimate moderate that was going to be reached by all of these negotiations.

Since you have so much more experience than most of us in these matters, Mr. Secretary, if Mr. Rafsanjani is a moderate, would you like to define the word "extremist" for me?

Secretary **Weinberger**. How long do I have, Senator?

No. That is a very good example that you have cited of the kind of people that some thought we could deal with. We simply cannot deal with people like that.

Mr. Rudman. Mr. Secretary, I am very disturbed by one section of the Tower Report. I want to say at the outset that I think that the Tower Commission did an excellent job in very limited time. They, of course, did not have access to some of the key witnesses in this hearing, and it was looking at those witnesses in focus that have finally given us, I believe, a pretty complete picture of what happened. I particularly think that they were a bit premature in their judgment of certain Cabinet officials.

I want to just read a statement to you which I am sure you are familiar with. It says, "Given the importance of the issue and the sharp policy divergences involved, however, Secretary Shultz and Secretary Weinberger in particular distanced themselves from the march of events. Secretary Shultz specifically requested to be informed only as necessary to perform his job. Secretary Weinberger had access through intelligence, the details about the operation. Their obligation was to give the President their full support and continued advice with respect to the program, or if they could not in conscience do that, to so inform the President. Instead, they simply distanced themselves from the program. They protected the record as to their own positions on this issue. They were not energetic in attempting to protect the President from the consequences of his personal commitment to freeing the hostages."

Then it goes on and then it concludes, "Finally, Director Casey and, to a lesser extent, Secretary Weinberger should have taken it upon themselves to assess the effect of the transfer of arms and intelligence to Iran on the Iran-Iraq military balance and to transmit that information to the President."

Now, as one who, I am sure, shares your view that our Cabinet form of government only works when you have competent, strong Cabinet members who are allowed to do their jobs, and listening to all the testimony, including yours and Secretary Shultz, I believe that is a very unfair characterization, both as to you and as to Secretary Shultz. I wonder if you would like to respond a bit more than you have as to this particular part of that quote, "instead, they simply distanced themselves from the program and they protected the record and they were not energetic," et cetera.

Would you like to comment on that, Mr. Secretary?

Secretary Weinberger. I would like to comment on it, Senator. I think that is the kind of remark or the kind of conclusion that can only be drawn by people who don't have any knowledge of the facts.

There is no evidence to sustain that kind of conclusion at all that I am familiar with, nothing that the Commission talked with me about, nothing that as far as I know they heard, nothing that has come out in any of these hearings would sustain that conclusion.

I agree with you, I think it is a very unfair characterization. It's not based on any evidence that I know of at all. And indeed, it could not be if anybody had taken the trouble to explore the facts, and indeed, that is the view of the President, in his very generous and fair spirit, told the American public that that conclusion was exactly wrong.

Mr. Rudman. Indeed, Mr. Secretary, the record I think shows that on each and every occasion where you were part of a group discussing this with the President, you and Secretary Shultz—and I would use the word, from what I know of this—vehemently opposed the policy.

Secretary **Weinberger**. I think that's entirely a fair characterization. Some would even use stronger language. The President might.

But in any event, we did oppose it. We opposed it at every step of the way. And if the charge of distancing oneself were true, I would not have ever made any further inquiries when I first began getting the intelligence reports that led me into what the facts actually were.

Mr. **Rudman**. As a matter of fact, I think one of the most revealing parts of your testimony which ought to be highlighted, it seems at least to me, is it my understanding that some of your knowledge of this came from intelligence sources other than U.S. intelligence sources?

Secretary **Weinberger**. Well, they were all funneled through United States intelligence sources.

Mr. **Rudman**. I understand that.

Secretary **Weinberger**. The United States intelligence sources were based on information that they were getting from other countries.

Mr. **Rudman**. So here we have the Secretary of Defense essentially having one of his intelligence organizations getting information in the field from foreign intelligence operations to keep him posted on matters which he obviously ought to be concerned about?

Secretary **Weinberger**. Yes. Senator Sarbanes made that point I think very fully Friday. I agree. It is a condition which I hope never prevails again and certainly will never in this administration.

Mr. **Rudman**. Finally, Mr. Secretary, and I am going to yield back my time, you said on your first morning that your memory was not as good as it once was.

Secretary **Weinberger**. Yes.

Mr. **Rudman**. I am not sure that's true. But I want to ask you a question that I don't think will tax your memory very much.

Since you have been in the Cabinet with Secretary Shultz as Secretary of State, would you recollect for us how many other times you and Secretary Shultz strongly agreed on anything and the President went the opposite way?

Secretary **Weinberger**. Well, Secretary Shultz told me the other day that we should never agree on anything again because look what happened when we did.

But we have agreed on many, many things, but I don't recall very many in which the President also has gone the other way. We usually have a very—we see eye to eye on a great many issues.

Mr. **Rudman**. But particularly on those issues that you have agreed on strongly, and to use my word "vehemently," I can't recall of another instance that we know about in which the President said, "Secretary Shultz and Secretary Weinberger, sorry, I'm going to do something else." Is that right?

Secretary **Weinberger**. I don't recall any other instance at the moment. No, sir.

Mr. **Rudman**. Well, we appreciate your being here, Mr. Secretary.

Secretary **Weinberger**. Thank you very much, Senator. I do appreciate it.

Chairman **Hamilton**. The Chair recognizes Mr. Foley for 10 minutes.

Mr. **Foley**. Good morning, Mr. Secretary.

Secretary **Weinberger**. Good morning.

Mr. **Foley**. Mr. Secretary, you've indicated that you did not have contemporaneous knowledge of the sale of HAWK missiles in 1985 to the Iranians?

Secretary **Weinberger**. That is correct.

Mr. **Foley**. You learned about it subsequently?

Secretary **Weinberger**. Yes, sir.

Mr. **Foley**. You have been Secretary of Defense since January 1981?

Secretary **Weinberger**. Yes, sir.

Mr. **Foley**. Did you know at any time prior to 1985—from 1981 to 1985—just—I want to set the record straight with this question—of any other sales to Iran of American weapons restricted in any way under the law?

Secretary **Weinberger**. No, sir.

Mr. **Foley**. You have not—did not know of that and have not subsequently learned of it?

Secretary **Weinberger**. No. To the best of my knowledge, there were no others of any kind. I hope very fervently there will never be any again.

Mr. **Foley**. Did you have any knowledge of any transfers of weapons by any third country prior to 1985, from 1981 to 1985?

Secretary **Weinberger**. Not knowledge. There were some reports, but I do not have specific personal knowledge, no, sir.

Mr. **Foley**. Those reports had to do with transfers of American weapons by a third country?

Secretary **Weinberger**. Well, they had to do with transfers and sales of weapons to other countries, some of which contained American technology, some of which I guess were actually American weapons.

This was part of what we were trying to stop with this Operation Staunch. I did have information as I worked on that, as I talked with other countries' representatives, urging them not to make sales.

We had reports and I frequently would say we don't know if this is accurate or not, but here are the consequences and we hope you will stop, and so forth.

Mr. **Foley**. If these reports were true, would they be in violation of American law if they had not been reported to the United States?

Secretary **Weinberger**. Yes. We have a—two basic rules with respect to our weapons.

They cannot go to any country for any purpose except for its own self-defense and they cannot be re-exported by that country to any other country without specific permission from the United States.

Mr. **Foley**. And of course that permission requires notification?

Secretary **Weinberger**. Indeed.

Mr. **Foley**. To your knowledge, between 1981 and 1985, prior to the weapons that were transferred that we have discussed, were there any reports by any third countries to the United States of sales or requests for permission to sell arms to Iran?

Secretary **Weinberger**. Not requests for permission that I ever recall but there were reports that various sales were being made, and it was this kind of thing that we were trying to stop with our Operation Staunch.

Mr. **Foley**. So if these sales had taken place, they would be taking place in violation of American law?

Secretary **Weinberger**. That is my understanding, yes, sir.

Mr. **Foley**. The testimony you've given indicates that you were concerned about the possibility of a kind of blackmail that might be made against the United States by holding this information regarding Iranian arms sales as a possible threat; is that correct?

Secretary **Weinberger**. Yes. That was one of the points I raised in some of the first meetings, as to what are the consequences that might flow from this—one of the reasons, therefore, as to why we should not do it.

Mr. **Foley**. This would be possible because some elements of the U.S. Government would not be informed about the sales and other foreign sources would know about the sales?

Secretary **Weinberger**. Yes, and that the sales were something that we were obviously trying to hold close under the President's decision, and this would be a threat to release that information which would then give a certain amount of undesirable leverage over the United States.

Mr. **Foley**. Was part of your concern the fact that Congress was specifically not being informed of the sales?

Secretary **Weinberger**. No. That wasn't my concern. My concern was that we would simply be threatened with various undesirable actions and—and various undesirable results unless we took actions favorable to a country that had this knowledge that we would not otherwise have taken.

Mr. **Foley**. Wouldn't the political leverage be greater when the matter had been kept secret from the Congress?

Secretary **Weinberger**. Very possibly. Yes, sir. I wouldn't argue that.

Mr. **Foley**. You have suggested, in answer to questions by Mr. DeWine, that you generally favor holding security information close to narrow the circle, so to speak?

Secretary **Weinberger**. Yes.

Mr. **Foley**. Would you agree there is a balance, however, between restricting information and serving the interests of security?

Secretary **Weinberger**. Oh, yes.

Mr. **Foley**. By providing those who have a need to know or those who are required to know, by law, to be informed?

Secretary **Weinberger**. Yes, sir. No, I don't have any problem with that. I certainly include the leadership of the Congress and various others within that. We do have to strike that balance all the time.

We—some people say we pay a price for our freedom—for a free society. Maybe that is true. It's—whatever it is, it's worth it. But it is vital that we do everything we can to protect the lives of people that we ask to engage in very difficult and dangerous enterprises.

Mr. **Foley**. Wouldn't you agree, Mr. Secretary, that the ultimate interests of the United States were damaged in the case that we are examining, the sales of arms to Iran, by narrowing the circle to the degree that you and the Secretary of State and others in the Government were denied information as to what was actually occurring?

Secretary **Weinberger**. You certainly could make an argument that way and I think the interests of the United States were damaged over all and I think that the way to avoid that is obviously not to embark on a policy of this kind, but certainly there were more people who should have known about it at its inception than did know about it.

Mr. **Foley**. And, in fact, I would assume that part of the concern that might arise following these hearings is some assurance that when covert action Findings are made or about to be made, there be some opportunity for principal members of the National Security Council to be aware of that?

Secretary **Weinberger**. I would at least start there, yes, sir.

Mr. **Foley**. The ultimate irony I suppose is that the President himself was cut out of the diversion of sales to——

Secretary **Weinberger**. I was about to point that out, yes, sir.

Mr. **Foley**. You have suggested a 48-hour notification standard as possibly one that might be considered?

Secretary **Weinberger**. Yes.

Mr. **Foley**. Would you agree that the present law anticipates the general practice of prior notification of the Intelligence Committees prior to the issuance of a Finding?

Secretary **Weinberger**. I think wherever that can be done without endangering any operational security that would be clearly preferable. There are a few instances where it might be necessary and that is why I spoke a moment ago about being more or less against any rigid rule.

There are a few instances where it, operational security, would be better preserved with a few—a notice a little longer—a little later than that.

Mr. **Foley**. For example, where it might be impossible due to time pressures to notify the——

Secretary **Weinberger**. That is right. Grenada was a very good example of that. We did notify congressional leadership I think the Sunday night before the Tuesday we went in, but sometimes it isn't possible to do that; Congress is in adjournment or whatever.

But generally speaking, prior notification to a small group, yes, and generally speaking also very prompt post-notification, as soon as that can be safely done, and it nearly always could be safely done if the group is small.

Mr. **Foley**. For the most part, in the absence of prior notification, consultation is difficult or impossible, is it not?

Secretary **Weinberger**. Yes.

Mr. **Foley**. And would you regard consultation as often a very valuable opportunity for the President?

Secretary **Weinberger**. Indeed, yes, sir. Not only because it is very useful to have the advice and I think we need the help of everybody we can get, but I also think that it is important for the longer-range success of any kind of activity, because I have frequently made the point in private meetings that we can't fight a war on two fronts.

We can't fight with the enemy, whoever it may be, and we can't fight with the Congress at the same time.

We need to have the U.S. Government unified if any kind of activity is going to succeed over the long run and we have a very different governmental system than most other countries.

We deliberately divided authority and power to keep government ineffective and weak, that is what the founders had in mind. They've succeeded to a very considerable extent, but we can work within that. But we do have to do it in a way that gets as much general acceptance of a course before we embark on it whenever we possibly can or as soon thereafter as we can.

Mr. FOLEY. You made a speech several years ago in which you outlined the uses of military power in a democracy, I think one of the truly impressive speeches of recent years, and you stressed at that time the need to have strong support for any action the United States might take in the military area, support of the Congress and the public.

Is it also true that undertakings of a more clandestine kind need to have the support of the Congress and that the notifications, including prior notification that the statutes presently require, are an important part of maintaining that sense of confidence and comity and support?

Secretary WEINBERGER. I think without any question, sir, because you frequently with clandestine activities, which we have to do in this kind of world, you are not able to have public support.

So you certainly need to have congressional understanding, congressional approval wherever it can be obtained, and that is done through consultation of the kind that we have tried to do on many of our activities.

Mr. FOLEY. And would you suggest these values be kept in mind as we talk about security and restricting information?

Secretary WEINBERGER. Indeed, yes, sir. They are a critical part of it.

Mr. FOLEY. Thank you very much, Mr. Secretary.

Thank you, Mr. Chairman.

Chairman INOUYE. Senator Mitchell.

Mr. MITCHELL. Thank you, Mr. Chairman.

Good morning, Mr. Secretary.

Secretary WEINBERGER. Good morning, sir.

Mr. MITCHELL. Mr. Secretary, I want to ask about the transfer of TOWs and HAWK parts to the CIA for sale to Iran.

Several military officials, including General Powell, General Thurman, and the Army's General Counsel, Susan Crawford, have testified that the order to transfer the parts was given in such a way as to bypass the Department of Defense's procedures for monitoring price and for military review of transfers to the CIA.

Miss Crawford testified that the transfers to Iran have been the only transfers made to bypass that system.

My first question is: did the transfers to Iran take place in such a way as to avoid established procedures?

Secretary WEINBERGER. Senator, the only way you can answer that question is, first of all, to say that this particular transaction was not one for which established procedures were set up or contemplated and; secondly, there was no bypassing, as you put it, of any of the procedures relating to price.

The pricing of the weapons was carried out in precisely the same way that it always is. But the procedures that I established much earlier, perhaps 3 years, 4 years ago, were designed for a situation in which an intelligence agency or an intelligence activity or individual assigned to intelligence would say that he had a requirement that could not be disclosed, but he needed—the reason for it couldn't be disclosed—but that he needed money or he needed the right to go buy some equipment, ship, lease a plane, something of that kind, and I found, and as a result of that, we have had a number of, well, fewer prosecutions, convictions growing out of some earlier activities because what was happening was that the intelligence aspects of his request were overriding any review at all, and, so we instituted a situation that when an intelligence activity was contemplated or when there was a request for some kind of support that then there would be a review of that by a number of people leading up to the Vice Chief of the Army Staff, and that it would include members of the service as well as members of my office, and the Office of the Secretary General.

That system is still in effect and it is an important way of protecting against any abuses of the system.

This was a totally different transaction; this was a transaction in which the President of the United States directed that with as small a knowledge as possible because of the safety of the hostages and the desire to preserve any hope we had of getting them out that these weapons should be transferred to the CIA directly, and we did that, but there was a full review of the pricing because there was never any instruction of any kind about the price and the price was determined in the normal fashion.

Unfortunately, as we have talked out in the past, there were errors in that; in the computation of the price, but they were, as all people who have looked at have found, innocent errors.

Mr. MITCHELL. Other than price, did you tell General Powell, Deputy Secretary Taft, or any other person to transfer these weapons and parts to the CIA for transfer to Iran in such a way as to avoid otherwise applicable procedures?

Secretary WEINBERGER. We didn't tell them specifically to do it to avoid otherwise applicable procedures. What we told them was exactly the information that I had heard and the orders I had received, and that was to transfer them with the smallest number of circle of people being involved as possible and to do it by a direct transfer for value to the CIA.

And I insisted on the "for value" part, because that was a critical part of the Economy Act.

Mr. MITCHELL. But then is it fair to say that one effect of doing it in that manner was to avoid otherwise applicable procedures?

Secretary WEINBERGER. Well, avoid—the otherwise applicable procedures weren't used. It wasn't done deliberately to avoid anything. Those procedures were not used because this was a case that was in a sense completely outside the rationale and basis for those other procedures.

Mr. MITCHELL. It had another objective, I understand, that—but one of the effects was that the procedures established were not used. As you say, this was for another purpose, another reason.

Secretary WEINBERGER. Yes. One of the effects was the procedures weren't used and that was the natural consequence of the direction to do it with the smallest number of people involved.

Mr. MITCHELL. I would like to go to another topic. We have heard a lot of testimony and there has been a great deal of discussion over the extent to which the Iran initiative did or did not involve an exchange of arms for hostages.

The issue I would like to raise briefly with you is whether the President would have sold arms to Iran if the sole purpose of the initiative was to open up a strategic dialogue with Iran or whether weapons were ultimately included because they were necessary to obtain the release of hostages.

Now, in June of 1985, you and Secretary Shultz received the National Security Decision Directive which proposed an opening to Iran. That is the directive that contemplates providing Iran with military equipment, but it makes no mention of hostages, and that is the directive of which you wrote, "this is almost too absurd to comment on."

Now, later, however, hostages did become part of the discussion. Exhibit 20 in your book is a memorandum for the President dated January 17, 1986, prepared by Admiral Poindexter to explain the basis for the Finding to be signed by the President authorizing the sale of weapons to Iran.

And on the second page of that memorandum down near the bottom, it describes the weapons to be transferred to Iran, and then it reads, and I quote, Admiral Poindexter's memorandum to the President, "If all of the hostage are not released after the first shipment of 1,000 weapons, further transfers would cease."

This seems to clearly state there would be a transfer of weapons to Iran following which it was anticipated that all of the hostages would be released, and if they were not released, there would be no more weapons transferred to Iran.

And your notes of the November 10 meeting with the President show that you had under that, the arms sales would continue only if the hostages were released, you recall. That is exhibit 28 of your record of the meeting in the Oval Office——

Secretary WEINBERGER. Yes.

Mr. MITCHELL. —with the President and others on November 10.

Secretary WEINBERGER. 1986.

Mr. MITCHELL. 1986. November 10, 1986. And at the top of page 2 of your notes, the first full paragraph reads: "I reminded John that he had always told me that there would be no more weapons sent to Iran after the first 500 TOWs until after all of the hostages were returned, but, unfortunately, we did send a second 500 because it seemed the only way to get the hostages out, according to Poindexter," and indeed in your notes you underlined the words "after all" preceding "of the hostages." Let me first ask you: you and Admiral Poindexter had that exchange at that meeting. Did anybody dispute or disagree with that characterization as you set it forth here?

Secretary WEINBERGER. No, sir. I don't believe so, but, Senator, we also had that discussion throughout most of the year after the January 17 or 18, whenever it was, decision to go ahead with it, between then and the November meeting.

But, yes, I did, the answer to your questions is, no, no one that I heard at the meeting disputed that.

Mr. MITCHELL. Disputed that?

Secretary WEINBERGER. No.

Mr. MITCHELL. Well, the conclusion I draw from this is the following, and I am going to state it and ask then you to comment on it. The goal of opening up a dialogue with Iran, given its strategic importance, was a valid one, which the President might have pursued quite apart from any desire to free hostages.

But the use of weapons, given or sold to the Government of Iran, a country which has condoned and promoted terrorism, in which for several years has been virulently anti-American, would never have been approved by the President except as a means to obtain the release of hostages.

And I say that because the record as I have just described it seems clear. First, arms shipments were rejected when hostages were not involved.

Second, the January 17 memorandum from Admiral Poindexter to the President explaining the first Finding explicitly says that arms shipments will cease unless the hostages are released, and, finally, your exchange with Admiral Poindexter at the November 10 meeting confirms what you and he had been saying throughout that year, and the understanding was that there would be a shipment of arms to Iran.

It was anticipated that all hostages would then be released and if they were not, then there were to be no further shipment of arms to Iran. Let me ask whether if you care to comment on that conclusion.

Secretary WEINBERGER. Well, Senator, that conclusion involves an assumption that I know everything that motivated the President in making this decision, and I don't. But I never heard the President talk about this at any of the meetings we have described or any other time without tying the two together, and that one of the ways of trying to get this better opening with Iran, one of the things I disagreed with that we could do was to demonstrate the good faith of the representatives of the United States in discussing it, and that that would involve transfers of some of the weapons.

There's no question whatever that one of the factors motivating the President was the return of the hostages. This is something that underlies all of his conversation and, as I've said, the President is a very compassionate, humane man, and the fate of the hostages is a continual source of deep worry to him, as it is to all of us. And so clearly that was one of the motives.

But I never heard him talk about this with reference only to the hostages, or the arms part of it only to the hostages. There is always this other motive with which I'm frank to say I disagreed with, but it was always there.

Mr. MITCHELL. Mr. Chairman, may I have just one more moment to conclude this line of questioning.

I just note it couldn't possibly be clearer in your note, "I reminded John that he had always told me that there would be no more weapons sent to Iran after the first 500 TOWs, until after all of the hostages were returned. But unfortunately, we did send a second 500 because it seemed the only way to get the hostages out, according to Poindexter."

Three days later the President addressed the nation and said that there were no arms for hostages. This was stated in the President's presence, as you just noted, and there was no disagreement.

Did that concern you, the President's address to the nation in which you very emphatically stated and repeated, indeed, that there were no arms for hostages, when it seems inescapable from this discussion that that was at least a part of the transaction?

Secretary WEINBERGER. This was a discussion that I had with Admiral Poindexter, and the background of that was, as you have pointed out, but the first 500 that I was talking about was the 500 that related to this idea of trying to show the good faith of our emissaries and negotiators and so forth. I violently disagreed with that. But that was the basic motive for that firstly.

I can't characterize what was in anybody's mind, but I know that there was a—that both of those elements, both of those motives were always mentioned together in any discussion I ever had with the President about it.

Mr. MITCHELL. Well I'll conclude with the most important question. Are you going to spend some of August at your home in Maine?

Secretary WEINBERGER. I hope so, Senator, yes.

Mr. MITCHELL. Well, good luck.

Secretary WEINBERGER. You are planning to finish today, aren't you?

Mr. MITCHELL. We are. Perhaps we'll run across you up at Somme Sound this summer.

Secretary WEINBERGER. I hope so.

Mr. MITCHELL. Thank you very much, Mr. Secretary.

Chairman HAMILTON. Mr. Rodino.

Mr. RODINO. Thank you very much, Mr. Chairman.

Good morning, Mr. Secretary.

Mr. Secretary, you've testified you were seriously concerned that the President wasn't getting accurate information, that was about the intelligence information that was being given to him concerning the Iran-Iraq war and about the balance of that conflict. And I recall, however, that at the November 10, 1986, meeting in the White House at which you were also present, and this meeting was called to discuss how to deal with the press in the event the story broke about selling arms to Iran, Don Regan's notes reflect that the President stated, and I quote, "Side with military superiority will win. We want to have things even. This helps Iran, which was weaker."

Was that statement correct at that time?

Secretary WEINBERGER. Well, Mr. Rodino, I made notes of the meeting after I got back as best I could recall then. I do not recall a discussion about that aspect of it at the meeting.

Don Regan frequently would be with the President before and stayed afterwards, and it is conceivable that his notes may have reflected something of that kind, or it's perfectly conceivable it may have reflected something at the meeting which I didn't make notes on. I don't take shorthand and that may have been something that was said while I was making notes of a previous sentence. I don't recall that previous subject coming up.

Had it come up, I would have disputed it very strongly because I never felt that Iran was losing the war or was weaker. Indeed, one of the points I made in the comment I made on the original suggestion of this back in June or July of '85 was that one of the—that the thing seemed to me to be absurd for a number of reasons, but one was that it was based on some assumption that Iran was about to fall and that I thought this was absolute nonsense. It was totally contrary to all of the other information and intelligence I had with respect to the relative strength of the forces and so on, particularly given Iraq's obvious intentions.

Iraq has said, and virtually has acted for a long time as if they do not want to win the war militarily. They are trying to get some kind of negotiated end to it. They have not used their air superiority, for example, in a way that would indicate that they planned to win the war. And so, they also have a much smaller population base, something like, oh, I don't know, 42 million to 11 million people, and the Iranians also use these children in their assault waves, 14, 13, 14, 15-year-old children, and that gives them an enormous military advantage, and it's a ghastly way they operate, but that's the way they do things.

And so from every point of view, there wasn't the slightest suggestion that I had ever heard that Iran was about to fall, and I'm quite sure that if I had heard that at that meeting, I would have contemplated it. This is not to say it didn't take place, but I don't have it in my notes, Don Regan does, and I'm sure, therefore, at some point, this point was made.

Mr. RODINO. In other words, you're stating you don't recollect——

Secretary WEINBERGER. I do not.

Mr. RODINO. —whether or not that was an issue at that time——

Secretary WEINBERGER. No, sir.

Mr. RODINO. —the intelligence was accurate or not?

Secretary WEINBERGER. The only intelligence report I had except the one report that was attached to the June 1985 memorandum were the other way. It was stalemated. Basically the conclusion was it was stalemated, but there was never any slight suggestion that Iran would fall.

There were always a lot of people who thought the Government was going to change in Iran and that would bring about a change. I don't see any slight possibility of that myself.

Mr. RODINO. On November 25th, Attorney General Meese at his press conference that day, among some of the things he stated, concluded that, "but after hearing all of the arguments pro and con, the President decided that the potential for achieving the goals of effecting peace in the Middle East, helping secure that area, stopping a war, and obtaining our hostages, was worth the risks involved."

Would you have agreed with that—achieved by selling arms to Iran?

Secretary **Weinberger**. I think Mr. Meese's statement is a fair summary of what was the conclusion the President reached, that is to say, he did take into account all these various things.

As I say, I differed with the conclusion, but I think those are the things that motivated the President.

Mr. **Rodino**. You were correct—you were proven correct in your own conclusions when you made your statement that the whole idea was too absurd to comment about.

Secretary **Weinberger**. Well, the President was generous and kind enough to say that later on, yes, sir. But I don't think anyone could fault the motives of the President.

Mr. **Rodino**. No, no, I know we don't. I just hope that he had shared your same crystal ball. We might have avoided all of this.

Secretary **Weinberger**. Yes, sir.

Mr. **Rodino**. Let me ask you one other question and that is to make a comment, if you will.

Don Regan, when he appeared here, as one of the suggestions which might be helpful in the conduct of covert activities, recommended that the committee consider bringing in the circle the counsel to the President.

What do you think of that suggestion?

Secretary **Weinberger**. Well, I think again that's a—I think that's a good suggestion. I think it largely depends on how the President utilizes his White House counsel. Some do this in a way that is very much like a personal attorney; other presidents simply refer very specific legal issues and nothing else to them.

It would largely depend on the way in which a particular president utilized his White House counsel.

Mr. **Rodino**. Thank you very much, Mr. Secretary.

I want to commend you for your testimony and for the vigorous arguments you have made, and I think so long as we have that kind of a public servant, at least we are able to evaluate that kind of debate and hopefully come out with the right decisions.

Secretary **Weinberger**. You are very generous. Thank you, sir.

Chairman **Hamilton**. Mr. Brooks.

Mr. **Brooks**. Thank you, Mr. Chairman. Thank you very much.

Mr. Secretary, first I want to commend you on your good common sense in saying this whole idea was absurd, selling those arms over there to the terrorists. I think it indicates that basically you have, as usual, good judgment. While we have not always agreed on a lot of matters, I certainly thought you were right in that. If they had listened to you, we wouldn't be here today, and Miss Crawford wouldn't be sitting there behind you keeping a close eye on everything.

Secretary **Weinberger**. Thank you, sir.

Mr. **Brooks**. But, the foreign military sales program itself has some serious implications for foreign policy and our defense policy, and you know that the House Government Operations had a long interest in it, we've had some hearings, issued some reports concerned about whether the Defense Department was administering the program properly, and we found often we don't get the full cost back. We found there's $600 million unaccounted for or missing in that program.

You hear the critics accuse Congress of trying to micromanage the Defense Department or some other department, but in order to avoid that it is common practice to have reasonable thresholds which give agencies the flexibility and eliminate some reporting requirements—it makes it a simpler operation, expedites it.

And you use that purpose in the Department for delegating purchasing authority at various management levels, but it's necessary that the employees administering those, Mr. Secretary, are going to have to honor the thresholds in good faith and not manipulate them by juggling the books.

Secretary WEINBERGER. That's right.

Mr. BROOKS. Now, do you have any idea why the CIA paid the Defense Department for those TOW missiles that went to Iran in a series of five checks, each in the interesting amount of $999,999? Each check was $999,999.00—five of them.

Secretary WEINBERGER. No, sir, I didn't know that until right now. I assume your statement is correct. But I have not seen any of that kind.

We have records of the total payments of the CIA. They were made, so far as I know, in the ordinary course of business. That kind of check in that amount wouldn't have served any particular purpose because the threshold for notifying the Congress was much higher than that.

But there was no intention to do anything other than to get the fair market value for these weapons that we transferred to the CIA under the Economy Act.

Mr. BROOKS. But, Cap, the Defense Department has a higher level, but the $1 million threshold reporting requirement in this case applied to the CIA.

Secretary WEINBERGER. I didn't know that.

Mr. BROOKS. Yes, sir, they have a $1 million threshold reporting requirement.

What the DOD did, in effect, was—what did you bill them? Do you know what they billed them for?

Secretary WEINBERGER. Yes, we have the——

Mr. BROOKS. Five or six million—hundred—million dollars?

Secretary WEINBERGER. We billed them—for one thing, Congressman, we have a rule that we can't make any transfer until we have a certification that the funding is available.

We have a lamentable lack of trust in everybody, so that we ask to have the certification of availability of funds. Those were in various amounts and I can't put my finger on them right here, but they're in the book. They were something like—one was 1 million 5, another was 3 million 2, something of that kind.

When we added it all up, we believed that because of our own errors in using the wrong items in the catalog, the wrong model number for the TOWs, and not figuring shipping charges correctly and the handling charges and all of that, that we underbilled by about two and a half million.

The Controller General, the General Accounting Office, said no, you underbilled about 2 million 1, and we have a claim in because we are using our figures, we have a claim in to the CIA for two and a half, and we have every reason to believe we'll collect it.

Mr. BROOKS. You see, what worries me is that do you think there is any obligation on the part of the Defense Department people, the administrative people that work for you, to think something might be amiss if they get a check for $999,999? If you get five of them in a row? It looks like you are sending up signals that something is a little fishy.

Secretary WEINBERGER. Pretty clumsy way to operate. I did not have any knowledge of that until you mentioned it this morning. That that was the way payment was received. I have seen only the cumulative totals. We have the certification that the funds were available before we transferred the weapons.

Mr. BROOKS. You got your certification and then you got the total numbers, so you were out of it. I am just saying perhaps you ought to suggest to people in the Defense Department if they get checks like that, it makes sense to take a look at them, why are we doing this? Why are we, at least if we are not in collusion with them, why are we facilitating the evasion of the simple law?

Secretary WEINBERGER. I did not know the reporting threshold of the CIA. I did not know that we received the payments in that form. My interest was to get full payment, full value for the weapons transferred to the CIA because those are the requirements of the Economy Act.

Mr. BROOKS. They just didn't tell you, because your staff did know.

In exhibit 21, it is very clear that the transfer of a million dollars for the Intelligence Agency is the reporting requirement for them. Just glance at that and you will see that that is true.

Secretary WEINBERGER. Yes. That is the opinion of the Army's General Counsel. I did not see this.

Mr. BROOKS. That is understandable that you didn't. You ought to encourage Miss Crawford to tell all those people when they find those kinds of things, to bring it to the counsel's attention. See why we are facilitating that evasion of clear congressional intent.

Secretary WEINBERGER. You can consider that notification will go out sometime close to noon today.

Mr. BROOKS. The reason I ask this is—that is perfect. You know, reporting thresholds, if they are not implemented in good faith, it encourages Congress just to set the threshold at zero, report them all.

The Defense Department, as you say now, can have a place and have a policy for making sure that the reporting thresholds are implemented properly and that we don't get sucked into cooperating with these agencies that's beaten the rap, that is not filing, paying you in odd checks. To just get right under that threshold.

Well, I want to thank you for that new directive. I think it will be helpful, and I appreciate your coming down here.

I yield back the balance of my time, Mr. Chairman.

Secretary WEINBERGER. Thank you, sir.

Chairman INOUYE. Senator Nunn?

Mr. NUNN. Thank you, Mr. Chairman.

Mr. Secretary, morning.

Secretary WEINBERGER. Senator.

Mr. NUNN. Mr. Secretary, I want to come back to a line of questioning Chairman Rodino raised a few minutes ago. I will try to cut it short because you have already gone into this a couple of times, but it still bothers me.

In your testimony on the opening day, you were asked by counsel a question: "Was it the view of the Department of Defense that Iran had a deteriorating position in the war with Iraq?"

Your answer: "No, quite the contrary, it wasn't my position or anybody's opinion that I talked to."

Do you recall that?

Secretary WEINBERGER. Yes, sir.

Mr. NUNN. Now, on January 16, 1986, Admiral Poindexter sent the President a cover sheet with the Finding and in that cover sheet he cited the Israeli position that Iran's military position was deteriorating.

You remember going into that? That was a prelude to the question I just quoted.

Secretary WEINBERGER. Yes.

What is the number of that, Senator?

Mr. NUNN. I don't have that reference but I am not going to go into great detail on that. I just wanted to allude to that.

Admiral Poindexter testified, without trying to quote his exact words, but he testified that he had the opinion that the Israeli position was the correct position.

He also testified that Director Casey had that opinion. So Director Casey, according to Admiral Poindexter, and Admiral Poindexter, had an opinion that was exactly the opposite of your opinion.

Now, my understanding of every other agency in government is that they shared your opinion. The intelligence community, the State Department, the Interagency Task Force, as of January of 1986, every other agency shared your opinion.

My question to you is: Did you talk to Admiral Poindexter or to Director Casey ever about this, and did you understand that you both had such diametrically opposed views?

Secretary WEINBERGER. No, sir, I can't say that we did. To this moment I cannot recall Admiral Poindexter or Mr. Casey stating that as their own view, that that was the way that they felt, Iran was in a deteriorating situation or might lose or anything of that kind.

I don't see how anyone could have felt that way. They may have been relating the Israeli intelligence view, but they also related the strong Israeli desire to participate in one way or the other in some of the activities that were—we are talking about here.

But I don't recall them ever stating in my hearing—and I obviously don't recall anybody else, because all of the briefings I had every day, every morning, the summaries, the various orders of battle, the correlation of forces, whatever you want to call them, always showed that there was a very large Iranian basic advantage not only because of their huge population base, but in every way except in the air.

The Iraqis had clear air superiority, but the Iranians had and have a degree of fanaticism and a willingness to use these children and things of that kind that could give them a major, rather horrible ground advantage.

The situation was basically stalemated, but there wasn't the slightest suggestion of any offensive activity by the Iraqis or anything of the kind that I ever came across that would indicate anything of that sort.

That is why I was so caustic, if you like, in that comment about the proposed NSDD that came around in June of 1985.

Mr. NUNN. Well, I agree with you completely. Does it bother you that here the President of the United States signs a Finding in January of 1986 that is premised on information that is totally wrong as far as the assessment of the United States goes?

Secretary WEINBERGER. Well, I didn't know about that Finding. There are lots of things about that Finding that bothered me. That certainly is one of them, yes.

Mr. NUNN. Do you believe there were any other policies like that, not necessarily related to this, where the President was making a decision based on Admiral Poindexter's advice which was directly contrary to the opinion of the rest of the Government?

Secretary WEINBERGER. No, I don't. I don't know of any other Finding that was made or has been made. Since Mr. Carlucci has been there, there has been a very thorough review of all Findings, past and present.

I am positive that there has been nothing of that kind. This is usually a very careful process, Senator. You don't—Presidential Finding is not lightly made, ordinarily.

Mr. NUNN. I agree. I agree. You say you don't recall the November 10, 1986 meeting where Don Regan's notes show that the President himself said that we want to have things even—this helps Iran, which was weaker.

You don't recall that?

Secretary WEINBERGER. No, I don't. I was at that meeting. I made notes of it. It does not appear in my set of notes. I don't have any memory of that conversation or that subject being raised.

Mr. NUNN. If you had heard that, would you have voiced your objection at that point?

Secretary WEINBERGER. Oh, yes. If anything was directly contrary to what you believed, I would certainly have taken the point up. One is not shy about presenting views that seem to me would be in opposition to what I thought was something that was clearly wrong.

Mr. NUNN. Mr. Secretary, did you ever give the President a net assessment as to the effect of these arms sales to Iran on the balance between Iran and Iraq or the balance in the region?

Secretary WEINBERGER. We went into that on Friday. Net assessment is a technical term, and I did not give a net assessment in the technical term which would require asking the net assessment people and waiting a year or so for their conclusions and so on.

What I did, however, do was to emphasize the fact that these were obsolete weapons and—the TOWs, and that our stocks were perfectly sufficient and that none of this contravened or changed my basic feeling that we shouldn't send these weapons.

I think that there was a very minor short discussion of whether or not there was any—would be any effect on the military balance and my own feeling then, as far as I can remember it now and now is that that did not have any effect on the military balance.

Mr. **Nunn**. Let me give you a hypothetical here. You don't need a lawyer there, and you don't have one to tell you this is a hypothetical question.

Secretary **Weinberger**. I don't have any need——

Mr. **Nunn**. It is. I will tell you in advance.

If this had never come out, there had been no leak in the Middle East papers, no hearings, no nothing, would you under the present conditions in the Persian Gulf—which we read about daily—would you feel at this stage it would be necessary to share with Admiral Crowe and the Chiefs the knowledge that we had sold spare parts for HAWKs and that the Iranians had an ability to make their HAWK missiles operative against the U.S. or other aircraft?

Secretary **Weinberger**. Your latter assumption—it is a hypothetical question, of course. The press will tell you I never answer hypothetical questions.

Your latter assumption, I think Senator, is not correct. This wasn't to make the HAWKs operational. The HAWKs they had were operational. These were spare parts for the ground systems, the ground control, ground support, ground maintenance systems.

It was not necessary to make them operational. They were operational, but they obviously needed and wanted some spare parts.

Mr. **Nunn**. They obviously wanted them to operate better or they wouldn't have needed material from us.

Secretary **Weinberger**. Well, you want to have—wherever you use any of these systems—you want to have spares. That is what they wanted. They wanted them very urgently, but they didn't need them as far as I understand it.

Mr. **Nunn**. Well, I guess my question, to make it short, is would you believe under the present circumstances the chairman of the Joint Chiefs should be told?

Secretary **Weinberger**. Oh, yes. I don't have any problem with that. He was told.

Mr. **Nunn**. When?

Secretary **Weinberger**. I think sometime—I can't remember the exact date. Sometime probably in July or August of 1986. Somewhere in there perhaps. I can't remember the exact date.

Mr. **Nunn**. Did you tell him or did he get this from other sources?

Secretary **Weinberger**. He asked about it. He had heard reports and asked. And I told him.

Mr. **Nunn**. You told him at that stage?

Secretary **Weinberger**. Yes.

Mr. **Nunn**. Mr. Secretary, quoting a news article in the *Philadelphia Inquirer* dated July 26, 1987, and I quote from that article, "U.S. Army helicopter crews opened fire on entrenched Nicaraguan troops with rockets and machine guns twice in 1984 after ferrying Navy SEAL team commandos in the country on sabotage missions."

Have you read that article?

Secretary **Weinberger**. No, I have not.

Mr. **Nunn**. Has it come to your attention?

Secretary **Weinberger**. No, it has not.

Mr. **Nunn**. Would you comment on it?

Secretary **Weinberger**. It is patently untrue.

Mr. **Nunn**. Untrue?

Secretary **Weinberger**. As far as I am concerned. Yes, totally untrue. It would not be the first one, but it is untrue.

Mr. **Nunn**. Thank you. Mr. Chairman, if I have any other time, I yield it back.

Thank you, Mr. Secretary.

Secretary **Weinberger**. Thank you, sir.

Chairman **Hamilton**. The Chair recognizes Mr. Stokes.

Mr. **Stokes**. Thank you, Mr. Chairman.

Good morning, Mr. Weinberger.

Secretary **Weinberger**. Good morning, sir.

Mr. **Stokes**. Mr. Secretary, Secretary Shultz testified before our committee one of the problems that he saw in that Iran initiative was the CIA involvement in policy. He made a very strong statement to the effect that policy should be separated from intelligence.

Do you share that view?

Secretary **Weinberger**. Generally, yes. I think that—there are very broad terms, but I think the intelligence analysis should come from people whose task it is to do that, and that they should produce that intelligence and those analyses based on an impartial and objective study of all the available material.

I think that is essentially what we are getting. As I said on Friday, I have very high regard for the CIA analysis and for the DIA analysis. I think we are very, very well served by it. But I think it should be divorced from policy, certainly, in that broad sense of the term. Yes.

Mr. **Stokes**. Let me ask you this: Do you see any conflict between the CIA Director sitting as a policy adviser within the National Security Council? In other words, say, between two models, the present one where the Director of Central Intelligence is not a member of the Cabinet, and the model that we had under Mr. Casey where he is, which is preferable?

Secretary **Weinberger**. Well, Congressman, a member of the Cabinet is kind of a basically loose term. I don't see any way in which the intelligence advice that is requested by a President of anyone, whether he attends Cabinet meetings or doesn't attend Cabinet meetings, is not going to require some discussion of policy matters. You simply can't have the kind of relationship with the head of your—with your Director of Central Intelligence, I think as President or as a member of the Security Council, if you don't turn to them and ask for what their analysis shows and inevitably there is some subjective opinion type of comment that comes into that kind of discussion.

Bill Casey was a very close personal friend of the President, did sit as a member of the Cabinet at all the Cabinet meetings, but I don't recall his offering general opinions on matters that didn't derive from his intelligence analysis. He had a lot of conversation with the President when I wasn't there. I have no idea—was an old friend. I don't think that friendship should disqualify anybody from serving the Government or the President, but basically, I think that Bill Webster, of course, is a person for whom I have very great admiration and who has done a great job in all of the difficult assignments he has had over the years.

I think the main thing is that the analysis should be objective, as I think it is now, should be done by a professional. It should represent their best conclusions on a result of everything that they can secure from every source, and evaluate the source. And then I think that ought to be presented to the President in distilled form and that the President then uses that in making up his own mind. In the course of that, he is very likely to ask for opinions of people, opinions of Bill Casey or of Bill Webster based on their general experience.

It's very hard to separate out and say that you must never, as a CIA or Director of Central Intelligence man, you must never discuss policy. I don't think you can make quite that fine a line, but as long as the clear objective, impartial analysis is given to the President, and that he makes up his own mind on the basis of that, I don't object to his supplementing that by discussions of a formal or informal nature with the DCI. I don't see how you can really avoid it.

I am trying to be as accurate as I can in stating to you what I think about this.

Mr. STOKES. I appreciate that very much.

Mr. Secretary, you have in your testimony occasionally referred to intelligence reports which related to the Iranian initiative.

Secretary WEINBERGER. Yes.

Mr. STOKES. I wonder if you also received an impression that was formed by those of us within this committee who have reviewed the intelligence relating to this initiative that what it reflects is repeated concern by the Iranians about the prices that they were being charged for weapons that we were selling to them.

Did your intelligence reports reflect that?

Secretary WEINBERGER. I didn't see an awful lot about pricing during that time. Again, it's hard to say who the Iranians were. There were so many shadowy figures that moved in and out of some of these reports using all kinds of aliases and false names and initials and all the rest. Probably there were some—I remember one anguished plea in one of the reports to the effect that the agent said he would be assassinated if he didn't get some of the money back that he had advanced or something of that kind. I recall very little discussion of pricing.

The problem seemed to be meetings and clearly negotiations going on between what were described as high-level American officials and clearly discussions of how deliveries would take place and how they could expect them and that they would insist on deliveries here before they did anything else and so on and so forth.

But I frankly don't recall a great deal about pricing in those reports.

Mr. STOKES. Mr. Secretary, our committee heard testimony from Lt. Col. North about the desirability of what he called an off-the-shelf, outside-the-system covert capability with rapid response capability, a central pool of ready funds, and the conduct of covert activities.

In his testimony before the committee on July 15, Admiral Poindexter, in response to a question from Mr. Liman, said: "I'm saying that a private organization, properly approved, using nonappropriated funds in an approved sort of way may be a solution to the problem."

My question to you, Mr. Secretary, is this: Is a private organization, using nonappropriated funds, a solution to any problem of which you are aware concerning covert activities; that is, do you agree with the admiral and the colonel on this type of thing?

Secretary **Weinberger**. No, I do not.

Mr. **Stokes**. Could you tell us why?

Secretary **Weinberger**. Well, I don't think—I think part of the problem is that—has been exemplified in the last 3 months here. I think that what you need is to have a proper degree of official oversight.

I am not in favor of unofficial, private people carrying out governmental activities. I think they are always subject to the worry that they will get engaged in things that are not subject to proper accountability.

I talked earlier this morning about how there are many things we do where the circle has to be kept narrow, and the circumference very limited of people who do know, because of the operational security and the objectives of a particular activity. And we have to do those kinds of activities. But I think it's all the more important for those to have proper accountability. And certainly where the use of funds are concerned, then I think that that becomes very much more critical because there are always additional temptations and so on.

This was the root of the problems that led to the establishment within our department of the specific review procedures that I spoke about a moment ago.

Mr. **Stokes**. Mr. Secretary, I just want to make an observation, and before I do so, I just want to join with my colleagues on this panel in expressing our appreciation to you for your appearance here. I've known you for many years. I have great respect and great admiration for you.

Secretary **Weinberger**. Thank you, sir.

Mr. **Stokes**. I think as the closing public witness in these hearings, I just want to make a brief observation. And that is, I think that the American people have been told a very astonishing story. We have been told that not only the President but six or seven of the most powerful men in the U.S. Government were ignorant of the secret diversion of profits to the Contras from the sale of arms to Iran.

We are told that the President, Ronald Reagan, did not know. We are told the Vice President, George Bush, did not know. We are told the Secretary of State, George Shultz, did not know. We are told that you, the Secretary of Defense, Mr. Weinberger, did not know. We are told that the Attorney General, Edwin Meese, did not know. We are told the White House Chief of Staff, Donald Regan, did not know.

And except for the word of Oliver North, we are told that the CIA Director, William Casey, did not know.

It just seems to me that something is indeed terribly wrong when a lieutenant colonel, Oliver North, and a vice admiral, John Poindexter, can conduct military and foreign policy in the White House without the knowledge or approval of seven of the most powerful men in the U.S. Government.

And with that, Mr. Chairman, I yield back the balance of my time.

Thank you, Mr. Weinberger.

Chairman **Hamilton**. Mr. McCollum is recognized for 10 minutes.

Mr. **McCollum**. Thank you very much, Mr. Chairman.

Mr. Secretary, we certainly appreciate all this time that you are spending over here with us. I know it is going to be over shortly.

But I would like for you to look with me, before we get very much further, at one of the exhibits, exhibit 28, that you have referred to a number of times. That's your memoranda detailing the meeting of November 10, 1986.

On page 2 of that memoranda, in the last paragraph on the bottom, about middleway or maybe a sentence or two in, it starts—there is a line that starts, "Mr. Shultz spoke up for the first time . . . " Do you see that in the memoranda?

Secretary **Weinberger**. Yes, sir.

Mr. **McCollum**. Would you read for us that sentence and the following two?

Secretary **Weinberger**. "Mr. Shultz spoke up for the first time, saying that it is the responsibility of the Government to look after its citizens, but once you do deal for hostages, you expose everyone to future capture. He said we don't know, but we have to assume the captors will get someone."

Is that what you wanted me to read?

Mr. **McCollum**. I wanted you to read that and I also wanted you to read the next sentence.

Secretary **Weinberger**. "He said he felt the Israelis had sucked us up into their operation so we could not object to their sales to Iran. He pointed out that there will be a lot of questions after any statement, even after a statement such as Mr. Casey proposed to read."

Mr. **McCollum**. Do you agree with those views expressed there? Do you share those views?

Secretary **Weinberger**. Well, I don't have any basis really for agreeing or disagreeing. I know that one of the arguments that was made every time this was presented by Mr. McFarlane and others was that basically the Israelis liked the idea and wanted us to do it and Mr. Kimche or somebody was referred to as the authority on the subject. That may have been what Mr. Shultz was referring to.

Mr. **McCollum**. Mr. Secretary, I want to change the subject to something that Senator Sarbanes raised with you on Friday. On Friday, he questioned you about alternatives to the Iranian arms initiative. He questioned you in light of the fact that during in earlier testimony, Admiral Poindexter stated that you and Secretary Shultz, neither one, offered any alternatives to the Iranian initiative to get our hostages back.

As I recall your testimony Friday in response to Senator Sarbanes' questions, you said that you did offer alternatives and that Admiral Poindexter was wrong, and that you had discussed those alternatives at your deposition, but you felt it was too sensitive to discuss them in public. Is that generally correct?

Secretary **Weinberger**. That is absolutely correct. Yes, sir.

Mr. **McCollum**. I would like to have that opportunity to discuss with you more about it, and I would like to point out to the Chair, I am going to ask some questions, and I don't think they will be a problem. I don't want to ask about the operation here in public. I know you are sensitive to that.

I went back and looked at your deposition and the unfortunate part of it is that during the course of it when you apparently discussed it, you went off the record and nobody recorded it in executive session or otherwise. I guess they thought it was that sensitive and they didn't have approval.

Secretary **Weinberger**. We asked that it be entirely a closed matter. But I will be glad to discuss it with you in private or however you would like to do it.

Mr. **McCollum**. The reason I am raising it, and I will pursue it further, but, Mr. Chairman, I really would hope that we could at least, if we can't get an executive session with Secretary Weinberger, have the opportunity of having the deposition down the road before we close our hearings so that we can put this on the record formally somewhere, because the alternatives are not—Mr. Chairman, is there a chance of doing that? I don't know what the time constraints are——

Chairman **Inouye**. I am certain we can arrange that, Mr. McCollum.

Mr. **McCollum**. Thank you very much.

Keeping within the bounds of that, again I don't want to request you to divulge things you shouldn't here publicly. I would like to know, in the suggestions you were making, the alternatives you were giving, did you present those directly to the President?

Secretary **Weinberger**. I really would prefer to discuss the whole matter in private.

Mr. **McCollum**. I understand that, Mr. Secretary. But I don't think——

Secretary **Weinberger**. They were discussed in a very small circle and the—yes. They were presented to the President.

Mr. **McCollum**. I think that's an important thing for the public to know.

I'm not going to ask anything that would go into the operational details in any way. I think the public needs to know some of these things.

Was the President's response favorable to your suggestions?

Secretary **Weinberger**. Again, we are really getting into a point where, Mr. Chairman, I would really be perfectly happy to talk in closed session about this matter as I did in my deposition, but I do think that it is not a matter which in any of its outlines or details or even broad general outlines should be discussed in public.

Chairman **Inouye**. Mr. Secretary——

Secretary **Weinberger**. It was an alternative. I will be glad to discuss it as freely as you wish as long as we can have the assurance that it is indeed a closed session and a narrow circle and as I have been saying.

Chairman **Inouye**. It will be so arranged, sir.

Mr. McCollum. I will leave that. I don't want to press beyond that. The Secretary and the chairman have indicated it. I do want to talk about it.

Let me go into another area that is tangential to this. Mr. McFarlane testified before us that 90 percent of the reasons why we didn't try a hostage rescue during this time was because we didn't have sufficient intelligence. Colonel North and others have testified time and again we did not have the human intelligence capability to know at any time where the hostages were in Lebanon. I don't know how sensitive that is. They didn't find it sensitive. They testified to that effect.

I think some public response, whatever you could tell us today, with regard to your opinion on that would be helpful because so many people have said we just couldn't locate these folks. We didn't have the capability.

One of the things we have been requested to do by a number of witnesses is to do something about beefing up our intelligence over there in the Middle East. What do you feel comfortable discussing and what can you tell us about our ability to have the intelligence to have a rescue operation?

Secretary Weinberger. Mr. McCollum, I think the very phrasing of your question would indicate clearly to you—it should—that that is not a question which can be discussed in public. I would only say that it is not the only disagreement I have with Mr. McFarlane.

Mr. McCollum. That's fair enough.

I want to call your attention to a memorandum that I have, that I have in my possession. If I could have this carried down to Secretary Weinberger, if I could?

This memorandum I would not bring to your attention here but for the fact that I think we need to get it out, need to get it discussed in some way. It deals with the special operations problems we have been having in various discussions that have been ongoing. And in testimony here before our committee, there have been a number of inquiries made with regard to the status of our special operations forces, their capabilities and so on. And it is a concern to a number of the Members on this panel.

It is my impression, and it may not be correct, but it's my impression that members of the Joint Chiefs of Staff and others down at the Department of Defense are not very enthusiastic about beefing up special operations.

This memorandum I just gave you is a copy of what is purported to have been from Assistant Secretary of Defense for Command, Control, Communications Intelligence, Mr. Latham, to your Deputy Secretary of Defense regarding this subject. I know he has recently retired or is in the process of doing that.

Some of these comments in here seem to be disturbing to me, and I would like to get your opinion about them. I don't know if you have ever seen this memorandum yourself.

Secretary Weinberger. No, I have not. But frequently I get my mail in this way, and I will be glad to look it over.

Mr. McCollum. I understand. I just had it called to my attention today. I would have brought it to you in another way.

In the second, in the first paragraph, I am going to walk a few things through with you because you have not had a chance to see it before. Mr. Latham says, "Unfortunately, we lack an overall strategy—"—this is the second sentence—"—that can be internally agreed upon by OSD, JCS and the services—"—and he is talking there about an overall strategy for special operations.

He goes on to discussion, and I don't think we need to read it all, the problems that have been encountered in the implementation of amendments to the Department of Defense Reorganization Act, referring, I am sure, to the creation of the new Assistant Secretary for Defense and other related matters to get special operations of low intensity off of the ground.

I would like for you to read, and I think it is important to my question, if you would read to us and, of course to yourself, the second paragraph.

It is just a couple sentences long, where it begins, "Many people within DOD——".

Secretary **Weinberger**. "Many people within DOD—"—says this memorandum—"—consider the amendments which have now been enacted into law onerous and, therefore, implementation has not only been slow, but almost nonexistent."

This, again, he is reporting what many people, not naming them, feel.

"My office and OSD, ISA, have been trying to establish program 11 and define a budget authority for CINC SOCOM that satisfies the clear intent of a Congress without adversely affecting the services programs. Budget authority has now become bogged down within OSD and probably will not be resolved until the fall."

He is talking about the failure of Congress to enact the budget almost a year after the amendments have become law.

"Even then the DOD actions may be consistent with the letter of the law, but not with the intent of the Congress. I sense increasing frustration on the part of Congress and believe that more draconian legislation is on its way."

Mr. **McCollum**. Mr. Secretary, obviously this expresses from someone within your administration who is now retired or retiring and very close to the subject the same kind of concerns that some of us have had all along that despite the fact that you have expressed strong support for this concept, and despite the fact many of us have worked diligently to beef up special operations and have not quite frankly tried to impose something on anyone, but wanted to do it cooperatively that there is Resistance within, but still very strong, to even implementing anything within your own department.

I wondered if you could comment to us about this, what we might expect, do you feel this Resistance is being overcome, what can we expect from all this down there?

Secretary **Weinberger**. I think what you have to bear in mind is what Mr. Latham is reporting here is a perception that some people have, a perception that some people in the Congress have and frequently perceptions are not correct.

What we have done with the special operations forces is to organize the new command. We have a general in charge. We would have an assistant secretary if the confirmation had not been delayed for 4 months, and we are doing I think everything that is required to be done and everything that is important to do to strengthen the special operations capability of the Department.

It is already strong, and we are doing the organizational changes that the Congress wanted very rapidly. In fact, I think they are pretty well completed. But we do not yet have the assistant secretary because there has been no confirmation of that officer, the nominee of the President.

But we do have a commanding general and we have a number of the forces that are required to be part of that directly under his command. I have regular meetings with him, and I think that we are moving along very much along the lines that the Congress wanted, but there are always going to be people who have perceptions the other way.

Mr. McCollum. Mr. Secretary, my time has expired, but I would just like to comment to wrap up why I asked you these questions.

It is apparent to me and I think any Members who have been listening for all these many weeks that we wouldn't have been into this situation if the President had first of all followed your advice.

But secondly, I don't think we would be here today if those involved in the varying operational aspects of this, whether it was the National Security Council or elsewhere, had had confidence and had urged on the President whatever options you may have presented to him with regard to alternative efforts to get our hostages back, and I think that lack of confidence in whatever alternatives there may be that we discuss in some executive session has to go back in part to this kind of thing.

The fact we have been stalled on special operations, the fact there have been people down at your department who have not been very happy with that idea over the years and the fact that we indeed have not gotten the kind of trust among ourselves in this area that is necessary for us to have the kind of support activity to present to the President in a way that he can accept, and that just goes hand-in-hand with the lack of trust situation for leaks and all the other things that have gone on, so I think it is important and that is why I raised it with you today.

I have great respect for you, and I know how much you believe in this, but I did think it was important for us to put this in perspective on our record, and I do appreciate your indulgence in doing that.

Secretary Weinberger. Well, you make it difficult for me to comment adversely to anything you have said by your generous closing remarks, but you will forgive me if I say that I don't believe it was any lack of trust on the capabilities of the Department that led others to feel they should take unilateral action, but in any event I do feel all of this is better gone into in closed session, which I will be delighted to be as frank as possible.

Mr. McCollum. I look forward to it. Thank you, Mr. Secretary. Thank you, Mr. Chairman.

Chairman Inouye. The hearing will stand in recess for 10 minutes.

[Recess.]

Chairman Inouye. The hearing will please come to order.

The Chair is pleased to recognize for 10 minutes Senator Hatch.

Mr. Hatch. Thank you, Mr. Chairman.

Mr. Secretary, happy to have you here.

Secretary **Weinberger**. Yes, sir.

Mr. **Hatch**. As you have acknowledged, you knew in January of 1986 that the President had made the decision to go ahead with the Iran initiative and you also knew at that time the project was going to be handled under the National Security Act with arms being sold from the Department of Defense to the CIA.

Now, there has been some suggestion that you may have been the one who proposed carrying out that operation that way in order to comply with the law. Whose plan was it and who came up with the idea?

Secretary **Weinberger**. I don't know of any one person I can assign to it. The thing I emphasized, Senator, was the need to proceed under the Economy Act, which was the one that required full reimbursement, and I can't remember where the idea of the formal transfer to the CIA occurred, but—where it came from, but generally we have had some activities in the past, covert activities in which it has been handled this way, and I believe that that was the origin of it.

Mr. **Hatch**. Mr. Secretary, as I've reviewed the record from January of 1986 forward, you had periodic and regular contacts with the Iranian arms sales as they progressed. You and your department were responsible for selling the arms to the CIA in February and May and in the summer and again in October. They were your missiles, your HAWK spare parts. And during this period you were also frequently asked to prepare teams for the expected release of hostages, which you knew were related to the actual arms sales.

You were personally confronted by Admiral Crowe in the summer of 1986 about the Iranian initiative when he first learned about it and, unlike Secretary Shultz, who also opposed the program, your department had an ongoing involvement in the arms sales.

I'm wondering—if you did—what you did, if anything, to make the system better. Did you propose any alternative plans to accomplish what the President obviously wanted to accomplish or do?

Secretary **Weinberger**. Yes.

Mr. **Hatch**. And these are the plans that you have mentioned you would prefer to discuss only in closed session?

Secretary **Weinberger**. Yes.

Mr. **Hatch**. All right.

Did you ever ask Admiral Poindexter for the details on how the operation was being carried out?

Secretary **Weinberger**. I frequently—you said in your statement a moment ago, Senator, something I disagree with, that we always knew that there was a connection between this and hostage release activities and so on. That was never fully established.

There was a hostage released, I think, or two, during this period, but I never knew of any connection between these arms sales and that release. In fact, I think they seemed to come from different sources and different people and so on.

So I would disagree that we always knew there was some connection between the two.

There was a number of conversations I had with Admiral Poindexter pointing out that more sales were being directed and hostages were not being returned, and that I thought that we shouldn't do any more until all of the hostages were back, and why wasn't the original statements that he made to me—why couldn't those promises be kept, things of that kind.

Mr. HATCH. You were familiar with some of the other foreign policy objectives or hoped-for objectives that were discussed throughout this process?

Secretary WEINBERGER. Oh, yes.

Mr. HATCH. And they were a lot more than just transferring arms for hostages?

Secretary WEINBERGER. Oh, indeed, yes. There's no question about it.

As I mentioned earlier this morning, the President never mentioned the initiative of the transaction without always mentioning the other objectives hoped for.

Mr. HATCH. You were also aware that—were you aware at the time that this initiative basically was recommended by the Israelis or at least——

Secretary WEINBERGER. It was claimed—that was one of the points put forward as to one of the reasons we should do it, in one of the original discussions of it, yes.

Mr. HATCH. How important are the Israelis with regard to our worldwide intelligence operations?

Secretary WEINBERGER. How important were they?

Mr. HATCH. How important are they, their intelligence-gathering systems?

Secretary WEINBERGER. Well, I assume that the CIA has some opportunity to utilize some of the things they turn in to us, but I have no way of characterizing how important it is.

The CIA analyses come in from numerous sources.

Mr. HATCH. You are fully aware, though, that the Israelis have some of the best intelligence sources in the world?

Secretary WEINBERGER. They have a good reputation in intelligence, yes.

Mr. HATCH. In fact, in some ways a better reputation than even we have.

Secretary WEINBERGER. Well, I don't know about that.

Mr. HATCH. I would hope that is so, but I believe it's otherwise. The fact of the matter is we have relied on the Israelis and their intelligence-gathering systems throughout most of the tenure that you have been here——

Secretary WEINBERGER. I think some of the things they gather have been utilized and have been part of the analysis process. We get intelligence from a lot of sources fortunately.

Mr. HATCH. Of course we do.

Did you ever ask what the price—what price the Iranians were being charged for the arms?

Secretary WEINBERGER. No.

Mr. HATCH. You never were concerned about that?

Secretary WEINBERGER. No. We transferred to the CIA for value and that was the extent of our requirement.

Mr. HATCH. Now, did you go beyond Admiral Poindexter directly to the President during any of this process and tell the President that it appeared to you that the implementation of his programs were not going ahead in a proper or right fashion?

Secretary WEINBERGER. I don't know. I don't recall any one specific instance, a date or anything, but there were a number of meetings at which the various people who were familiar with this were present, and usually my talks were with Admiral Poindexter. There may very well have been one or two times at which it was mentioned at a meeting in which the President was present, but his decision had been made and that was well known.

Mr. HATCH. You have testified that you are taking steps to receive further payment from the CIA because of some errors that the Department of Defense made in computing the cost of the TOWs and the HAWK spare parts.

Do you know if anyone is attempting to collect that same amount from the original buyers, in this case Mr. Hakim and Secord?

Secretary WEINBERGER. I don't know anything about them at all.

Mr. HATCH. It seems to me DOD is making sure your books are correct, but after all, by doing—by getting the price straight between the CIA and DOD, and I would have to say that that should be done because it is taxpayers' money one way or the other, and—but, you know, the side issue here is did DOD's mistake cost the taxpayers extra monies because the private parties were able to get these arms at——

Secretary WEINBERGER. I don't see how any such conclusion could be drawn, but we——

Mr. HATCH. Well, I don't either, but that's why I am asking the question.

Secretary WEINBERGER. We want to have the amounts that we are told and that we believe were the correct amounts required for this transfer to be repaid to us. And we pursue that and, as I say, I have every confidence that we will collect it.

Mr. HATCH. Based on your understanding of the Economy Act, is the CIA limited to the amount it may charge buyers of the arms the CIA has purchased from you, from the Department of Defense?

Secretary WEINBERGER. I don't think there is any such provision. I don't know of any.

Mr. HATCH. So if they wanted to sell the arms at what they paid you for them, then the private parties could buy them at that particular price?

Secretary WEINBERGER. Well, if there is a private party involved. But I don't have any knowledge of that, Senator. All I know is that we are required—and should be—in transferring to another governmental agency, to get full value for that particular system.

Mr. HATCH. Sure.

Secretary WEINBERGER. The pricing problem arose because these are now no longer manufactured, they are obsolete weapons, and the wrong catalog numbers were used and all that kind of stuff.

Mr. HATCH. The thrust of my question basically is that DOD is limited in the price it may charge the CIA as an intergovernmental transfer, but the question is, is the CIA also limited in a similar fashion?

Secretary WEINBERGER. I don't know.

Mr. HATCH. I have a few questions involving your involvement as Secretary of Defense in the formulation and review of Presidential Findings authorizing covert actions.

During your tenure as Secretary of Defense, has there been a general practice to ask for your input in the formulation of Presidential Findings?

Secretary WEINBERGER. Yes, there has been, and also consent or approval of mine has been requested, as it has of others on the Security Council for these Findings.

Mr. HATCH. Are you generally informed after a Finding has been signed?

Secretary WEINBERGER. Yes, I'm informed that there's a draft going through, and that—if I have made some recommendations, whether those have all been accepted.

But the final form of the Finding comes back to us, yes.

Mr. HATCH. So you actually get a copy of all Findings on covert actions?

Secretary WEINBERGER. As far as I know, yes.

Mr. HATCH. Have the practices regarding Findings changed at all since the Iran initiative?

Secretary WEINBERGER. Yes. Mr. Carlucci has initiated a very full-scale review to find out whether there were any Findings held over from many years ago that were still operative, still current, and has canceled a lot of them and has put in a much closer review that requires the kind of things you have just been mentioning before any new Finding should be issued—a very salutary exercise.

Mr. HATCH. When we as a committee finally arrive at our final conclusions and make recommendations, are there any recommendations that you would like to see us make with regard to Findings and that process?

Secretary WEINBERGER. I think the changes Mr. Carlucci and General Powell have initiated are proper ones, and I think they should be followed, and I hope the committee would agree with that.

Mr. HATCH. Thank you, Mr. Secretary.

My time is up.

Chairman HAMILTON. The Chair recognizes Mr. Boland for 10 minutes.

Mr. BOLAND. Thank you, Mr. Chairman.

In October 1984, the so-called full prohibition Boland Amendment was enacted into law. Under its terms, no funds available to the Department of Defense could be used to support, directly or indirectly, military or paramilitary operations in Nicaragua.

What steps were taken after the passage of this law to inform Defense Department personnel, especially those who were stationed in Central America, about the types of activities that were now prohibited?

Secretary WEINBERGER. I would have to try to see if there were any specific directives for you, Congressman. The basic idea was that we do notify any changes that are required as a result of changes of law passed by Congress.

We had not had any activities underway in Nicaragua. Our activities were in El Salvador, and—but I am sure there was a general notification to Defense personnel of the import of the new law.

Mr. Boland. What steps were taken to monitor compliance?

Secretary Weinberger. We issued any instructions that were required by the new law, but we didn't have any activities there, so we weren't really monitoring anything that wasn't happening.

Mr. Boland. Well, evidence has been presented to these committees indicating that in November of 1984, Lt. Col. North tasked General Paul Gorman, who was the Commander of the Southern Command at the time, with furnishing information of the location and status of Sandinista Hind helicopters to Colonel North for his passage to the Contras.

To your knowledge, did General Gorman make his superiors in DOD aware of this request?

Secretary Weinberger. I didn't know of it and Mr. North has no authority whatever to task anyone.

Mr. Boland. The evidence presented to this committee—exhibit 31 in the testimony of Mr. McFarlane when he was here.

Let me ask, given the disparity of their rank, between general and lieutenant colonel, would you attribute General Gorman's compliance with North's request to that "White House mystique" that you mentioned last Friday?

Secretary Weinberger. Well, if there was, indeed, compliance with it, yes. There are a number of people who feel that when the White House calls, that everything has to be done, but in accordance with that call. But I found this very shortly after I came to the Department and right after that time, I issued very strict instructions—which, to the best of my knowledge, have been followed—that any calls or requests for tasking of the military had to be referred to my office, to the Deputy Secretary, if I was away, and that they would be acted on only when we were—confirmed that this was indeed something that was desired by officials and not just by some building.

Mr. Boland. In October of 1985, the last of the Boland amendments was enacted into law. Under its terms, DOD could not provide assistance in the conduct or planning of Contra military operations, although the exchange of some intelligence information was permitted as was the furnishing of some communications equipment and also infrastructure support.

What steps were taken after the enactment of this law to inform Defense Department personnel, especially those stationed in Central America, about the types of activities that remained off limits with respect to the Contras?

Secretary Weinberger. Again, I wouldn't have a specific document, but whenever there was a change in the law that affected people in any theater, there was a basic practice of notification to them. I know that the firm understanding that I had and conveyed it whenever it was relevant was that we were not permitted under these amendments to take actions of this kind in that area.

Mr. Boland. And what steps——

Secretary Weinberger. None of this, of course, applied to El Salvador. We were continuing to do our activities there with full knowledge of the Congress.

Mr. Boland. I presume that you were monitoring this law and compliance with it the same way you were monitoring the first one?

Secretary **Weinberger**. Yes, we did not have activities of that kind. We didn't start any, obviously, and we didn't—had nothing to continue. If I had heard of any violations, obviously we would have taken action.

Mr. **Boland**. Evidence has been presented to these committees indicating that during the period in 1986 in which the Secord lethal air supply operation was functioning, Colonel James Steele, a military assistance group commander in Central America, was actively assisting it at Lt. Col. North's direction.

Who in the Department of Defense was aware of Colonel Steele's activities?

Secretary **Weinberger**. Well, I don't know. I was not at that time aware of any activity that would contravene the law.

Mr. **Boland**. I am curious as to the means by which the Defense Department personnel are assigned to the National Security Council Staff?

How many are currently detailed to the NSC staff from the DOD?

Secretary **Weinberger**. I would have to find the exact number for you, but it is a common request for the White House—Security Council and others—to request the temporary assignment of military personnel and usually those are honored. But I can get you the exact number. I don't know what it is today.

Mr. **Boland**. Also, would you supply for the record how many were there when Mr. McFarlane and Admiral Poindexter were National Security Advisers?

Secretary **Weinberger**. I would have to get that for you. But it is easily obtainable. I have no idea of the precise number. But it was in response to formal requests.

Mr. **Boland**. Are you consulted on what particular personnel or individual would be assigned to the NSC staff?

Secretary **Weinberger**. Ordinarily not. No. Ordinarily there would be a request for an individual by name. If the service was agreeable, why, the assignment would go forward in a fairly routine fashion.

Mr. **Boland**. So they are not requested by name? Or are they?

Secretary **Weinberger**. Well, usually for National Security Council staff, they would be requested by name.

Mr. **Boland**. Who requested the assignment of Lt. Col. North and Admiral Poindexter to the NSC?

Secretary **Weinberger**. Admiral Poindexter had been over there for some time. I think he went over shortly after William Clark became National Security Adviser. But, again, I could find out for you.

North, I don't know. I don't know who requested him. Again, we can find out.

Mr. **Boland**. As you have indicated, both had been there for some time. I presume they must have been requested by the National Security Adviser at the time, Mr. Allen.

Secretary **Weinberger**. Well, it could be. They it could have been before. I think that Admiral Poindexter for a time was in the State Department and then was reassigned. But we can get the full history for you.

Mr. **Boland**. And whether or not the Secretary of Defense has to sign off on the assignment of military officers or DOD civilian personnel to the NSC staff?

Secretary **Weinberger**. No. Ordinarily not.

Mr. **Boland**. For the last 5 years, we have heard different descriptions by the administrator—this administration of the goals that the Contras were to achieve in Nicaragua. First, we were told they were going to be an arms interdiction force. Next we were told they were going to be—to prevent the Sandinistas from consolidating power by attacking noneconomic targets.

Then we were informed that their goal was to either drive the Sandinistas from power or drive them to the negotiating table to bargain away their power.

On Friday, you described the Contras as a force which would prevent a Nicaraguan invasion of El Salvador, Costa Rica, Guatemala, and Honduras, while at the same time prevent the dissolution of NATO by enabling the United States to retain and maintain a sizable number of troops on guard in Europe.

As I listened, the Contras, heretofore described as a guerrilla force of questionable ability, became transformed into Patton's Third Army.

My question is this: given the status of forces in Nicaragua, what is it that your planners expect the Contras to achieve militarily without direct U.S. intervention either in the form of a naval blockade or the introduction of ground troops?

What kinds of mileposts should we use to determine whether the Contras are capable of doing what you say they can do?

Secretary **Weinberger**. Congressman, I think if you will permit me to say so, that is quite an inaccurate representation of my testimony. What I was talking about was how important it was not to have a Soviet base—another Soviet base in that area.

What I was talking about was some of the very bad effects that would flow from that, and they include the ability to interdict convoys, to interdict trade routes, to gather more intelligence, all of which is happening in Cuba.

I did not say that the Contras were the force that would stop all this or anything of the kind. What I did say was that in my opinion—and I don't know who told you what previous rationales or support arguments for Contra funding.

But what I believe is that proper response and the proper reason is that I think it is essential for two reasons. I think it is essential that we support them as people who are fighting for their freedom, as we support people fighting for their freedom in various parts of the world in one way or the other, including Afghanistan.

And I think that it is essential that we do that.

I also think it is essential for our own national interests that they have the—and realize the promises of the revolution that were—at the time that Somoza was overthrown that were made to them, and promises which have been totally, brazenly, and continuously violated.

They have no freedom of speech, no freedom of religion, no freedom of press, no freedoms of any kind as we understand them in Nicaragua. I think it is very much to our—in our national interests to help people who are fighting to regain those freedoms.

And that is the reason that I think we should support them.

I also think we should support them because it is quite apparent that if we do not, there will be no opposition to another Soviet base in that part of the world. And that is a long way from saying that the Contras are going to be an army strong enough to deal with all of these problems.

That isn't the point. The point is to restore to these people as well as to other Nicaraguans the freedoms that were promised to them at the time of the revolution and these are the normal freedoms that you and I enjoy and take for granted and that these people were promised and have been denied.

Those are the reasons why I think we should continue to support them and support them very vigorously and support them within the law and by funds appropriated by the Congress which I have urged many, many times and would continue to urge.

Nothing that has happened here or nothing that has happened by people who may not have observed the law has changed the importance and the necessity for our continued support of people fighting for their freedom in Nicaragua and people who are fighting to make sure that we don't have another Soviet base in that part of the world.

Mr. **Boland**. Well, Mr. Secretary, you have used all of my time in answering that question.

I don't think you answered the question fully. In any event, some time I would like to know what your planners say they can achieve in the manner in which they are conducting the guerrilla warfare in Nicaragua.

Secretary **Weinberger**. The only thing I know is that we can't achieve anything except having another Soviet base if we don't try our best to help these people.

Mr. **Boland**. Thank you, Mr. Secretary.

Chairman **Inouye**. Thank you. Senator Cohen.

Mr. **Cohen**. Thank you Mr. Chairman. Mr. Secretary, Jack Anderson and Dale Van Atta ran a series of columns back in March—March 2, 4, and 15—and if I can just summarize what is contained in those articles, it had to do with the Navy undertaking negotiations with certain elements within Iran to acquire test benches for the F–14 aircraft.

The line had been shut down in this country. It was estimated that roughly it would cost $96 million to open that line, to produce a dozen of these so-called test benches which are sophisticated electronic devices to check out technical difficulties with the F-14 aircraft.

They started negotiating with the Iranians because the Iranians had several of them left over, about eight or nine as I recall. That occurred in the fall of 1985, around October. It appeared that the Navy would be successful in acquiring these nine test benches for about $10 million as opposed to $96 million to produce them ourselves.

Then in January, things started to unravel—January of 1986—corresponding with the time when the United States was undertaking to negotiate with the Iranians for the release of the hostages.

At that point, the Iranians no longer asked for cash. They asked for TOWs, Phoenix air-to-air missiles, and other weaponry.

I was wondering whether you had an opportunity to validate or verify whether there is any substance to the columns?

Secretary WEINBERGER. No. There isn't any substance to it whatever. When I heard you were going to raise the point, we made inquiry. I had not heard of it before.

The facts are apparently these, Senator: one of the shadowy officials who appears to be described generally as an American businessman appeared and sidled up to somebody, one of the program managers in the Navy, and said that he understood that they needed some of these test benches and that he knew where they could get them for a bargain price.

This person passed on in the Navy—passed on this information, and when it appeared that it was—required dealings with the Iranians it was immediately dropped and nothing was ever heard about it again until these columns appeared with this very distorted version that you have quoted.

Mr. COHEN. So there is no basis in fact.

Secretary WEINBERGER. None whatsoever.

Mr. COHEN. All right.

Secretary WEINBERGER. Never reached my attention in any event.

Of course, if it had, it would have been turned off at once. It never moved out of this so-called American businessman and the subprogram manager, whoever it was for this particular program.

Mr. COHEN. You checked with officials within the Navy Department?

Secretary WEINBERGER. Yes, after we heard you were going to mention it.

Mr. COHEN. One of the comments frequently made is the effect the Iran case is going to have on the arms export control enforcement of this country. I know you expend a considerable amount of energy and time trying to beef up our ability to stop the flow of weaponry going to the Middle East, to the Iranians in particular. And it is clear to me that the disclosure of what has taken place will have a very negative impact upon that effort, not only with our allies, but also with perhaps even the private sector.

I was particularly concerned that last Friday, I noticed on last Friday's news accounts, that a court in New York had dropped 46 out of 54 counts against defendants who were charged with smuggling $2 billion worth of weapons to Iran in violation of U.S. export control laws.

The newspaper didn't go into any detail about the court's rulings as to why the counts were dropped. I don't think it is difficult to perceive that what the defense is going to argue or did argue that if the U.S. Government can sell weapons to Iran, why not our clients.

The fact is we may have negotiated with the Iranians out of patriotism and private citizens may have done so for profit, but I think a judge and jury are going to have some difficulty in drawing the distinction between the two, particularly since two U.S. private citizens have about $8 million sitting in cold storage in Swiss bank accounts and when the former Chief of Staff, Donald Regan's notes of a November 10, 1986, meeting in the White House contain a reference to the Vice President, where the Vice President asked, "Is the New York case a private or public endeavor to sell arms to Iran?"

And according to Mr. Regan's note, the answer was "probably private with government knowledge."

Now, Senator Rudman also earlier this morning pointed out that there was a sort of a rare alignment of the planets of State and Defense on a key policy issue in which the President failed to be drawn into your gravitational orbit on that issue.

I would just like to quote something to you to see if you would agree with this final point, because many people have pointed out all of the reasons why it was a bad idea to begin this policy in the first place, but this individual focused on something else.

He said, "If there should be a successful release, the truth will still almost certainly come out with a joy over return of the hostages only temporarily overshadowing tough questions and criticisms and accusations from certain foreign governments and domestic political circles. In addition to public criticism, there is the problem that those holding our hostages and other potential hostage-taking groups will know of it and know to deal with the United States and get things from the U.S. Finally, even if there were to be no outside knowledge of these efforts, to ignore fundamental policy tenets, the super-secretive apparently hypocritical approach to the problem has a significant negative impact upon many of those who are unaware of it and who also are involved in doing their utmost in working faithfully for the hostage release and other problems within policy guidelines."

Would you agree with that statement that even if we were successful in getting hostages out, it would have a negative impact upon our future relations with our allies?

Secretary WEINBERGER. I think I made some of the points in some of the meetings and I think others did, too. You must understand, Senator, this was not the only subject on which the Secretary of State and I agree. We agree far more than people credit us with.

Mr. COHEN. I think Senator Rudman posed it, the one case where you both agreed and the President rejected your collective and combined wisdom.

Secretary WEINBERGER. I have not been able to think of any others in that category.

Mr. COHEN. Congressman Hyde last Friday, I think, offered some very valuable comments. He pointed out that a number of the individuals involved in this affair were veterans of the Vietnam war and they were and perhaps remain somewhat bitter toward the people and the process that they believed sold them out.

After listening to Congressman Hyde, I went back and read Phillip Caputo's book *A Rumor of War* over the weekend. He describes some of that despair as he left Vietnam.

He described banking over the China Sea, heading toward Okinawa toward freedom from death's embrace.

He said, "None of us was a hero. We would not return to cheering crows, parades, and the pealing of cathedral bells. We had done nothing more than endure, we had survived and that was our only victory."

I think that sense of despair is the most poignantly drawn that I have read about the war.

I would say that it is one thing to understand their despair and deep-seated bitterness, but I think quite another to put people in positions that permit them to twist and distort the political process to either conform to their world vision or satisfy a need for moral retribution.

I would say that if those who served in Vietnam want to affect public policy, then perhaps they should seek public office.

I am thinking specifically of Senator John McCain who spent about 5½ years as a guest at the Hanoi Hilton. At least by seeking public office, the public has an opportunity to judge whether their view are valid or invalid.

But no matter how sympathetic we are to these individuals, I think in our system, the military has to remain subordinate to civilian control and from the evidence, those who opposed the policy that was being promoted by those within the NSC were seen as adversaries who had to be either avoided or defeated.

Mr. Chairman, I would like to just conclude my participation in these proceedings with an observation that we have witnessed a parade of high-minded and seemingly non-threatening, indeed congenial people come before this committee and describe their actions and their motivations.

A central lesson in what will necessarily be an inconclusive report is that democracy must be protected against its friends as well as its enemies.

And that the law might be equally violated when people act out of patriotic passion and zeal as when they act out of contempt and calculated disrespect and disregard for the political process.

A philosopher that I recall reading many years ago observed "The wise and the foolish are equally innocuous. It is the half-wise and the half-foolish that pose the greatest danger."

I would suggest, respectfully, Mr. Chairman, that may be an appropriate epitaph for the conclusion of these hearings.

Chairman HAMILTON. The Chair recognizes Mr. Jenkins for 10 minutes.

Mr. JENKINS. Thank you, Mr. Chairman.

Mr. Secretary, I want to initially ask you this question. In the last few months there has been a turn of events dealing with Iran as well as Kuwait, with the flagging of the ships and so forth, do you see any direct or indirect connection between the confusion that may have developed with the press story, that first was released in Lebanon, with the difficulties that we are now having?

Secretary WEINBERGER. No, sir, I really don't. You mean the press story that first started discussing the arms transfers?

Mr. JENKINS. Yes. What I am referring to, specifically, of course, Kuwait was looking to the Soviet Union as far as the flagging of some of their ships. There was a good deal of discussion before we came into this. Do you see any relationship?

Secretary WEINBERGER. No, sir, I really don't. I can understand the hypothesis that has been made by some, and we discussed it at some length on Friday here, but I do not see any connection.

I think the Kuwaitis have a very reasonable and natural desire to make sure that their shipping is allowed to proceed through international waters without being attacked, and that some of it had been attacked, and they need additional protection which they can't furnish themselves because of their size, and they have asked us to do it and we have agreed to do it.

I don't see any connection between that and this whole unfortunate set of episodes we have been talking about.

Mr. **Jenkins**. I want you to turn to exhibit 4. I want to discuss this just a moment.

You previously testified about your initial reaction, which you reaffirm now, that this was an absurd idea.

Secretary **Weinberger**. Yes.

Mr. **Jenkins**. The note dated June 19 has this statement: "By all means pass it to Rich"—the Assistant Secretary—"but the assumption here is that, one, Iran is about to fall." This was back in 1985 which you are indicating was a false assumption?

Secretary **Weinberger**. Yes, by my opinion, yes.

Mr. **Jenkins**. And throughout 1985 and up until 1986, this was still your opinion?

Secretary **Weinberger**. Yes.

Mr. **Jenkins**. Amazing to me, and I know Senator Nunn has gone into this, as to how the President could have received an answer that's not off five degrees or 10 degrees, but 180 degrees.

Secretary **Weinberger**. Well, I don't attempt to explain it, Mr. Jenkins, but when people have an agenda and they are arguing for particular points, they may be willing to utilize minority intelligence views. I really don't know.

Mr. **Jenkins**. But that was not discussed in the meetings that you had with the President?

Secretary **Weinberger**. I did not hear it discussed in that November 10, 1986, meeting that we have talked about earlier. No, sir. I tried to make notes of that meeting, and my notes didn't include that, but this is not to say that those notes were absolutely complete or that I didn't miss something. It's also possible that there may have been discussion about it immediately after the meeting formally finished, or any one of a number of things. But I do not happen to remember any discussion about that point at that time.

But my conviction has been right along that this is a stalemated ground situation, that Iran is most certainly not about to fall or anything close to it, and that given Iraq's basic approach to the war, which, as I understand it, seems to be not to try to achieve a military victory, the idea of Iran about to lose seems to me to be totally wrong.

Mr. **Jenkins**. With your forceful opposition to the proposal as well as that of Secretary Shultz, who was the most persuasive person? I keep—during all of these hearings, we have not heard the person that was—that persuaded the President. Was it Casey? Was it McFarlane? Who?

Secretary **Weinberger**. Two things, sir. First of all, I heard Mr. McFarlane and Mr. Poindexter push the program from time to time at its beginning, and later. But the assumption seems to be that somebody has to persuade the President of something one way or the other.

This President is a man with very definite ideas. He is a superb leader, in my opinion, and he has his own judgments and his own ideas, and he's going to listen to advice and he's going to listen to recommendations, but he's not always going to follow them. I've had the great privilege of working with him for many, many years, and have made recommendations to him before that he has not agreed to and made recommendations that he has agreed to, and made recommendations that he partially agreed with. He has his own mind that he makes up after listening to a number of different views.

And so I don't—I think, as I say, there were two or three things that were very persuasive to him here, and one of them was certainly that it would be a good idea to get a better relationship with Iran, and I argued strenuously that we couldn't do that with the group that is there now. He also obviously was motivated by the hope of getting the hostages back, and I think all of these things were things that he was—that were presuasive to him. But I don't think he requires any one person to be for something or any one person to be against it, and then to follow that slavishly. He doesn't operate that way. He never has.

Mr. **Jenkins**. Well, I was just curious as to who the individual was that made the best argument for the sale.

Secretary **Weinberger**. Perhaps the President. There's certainly, as I say, Mr. McFarlane—in the beginning—Admiral Poindexter.

I mentioned Friday that Bill Casey, I think, thought sincerely that there was a real intelligence gain that could come from an improved relationship.

Mr. **Jenkins**. In your view, the President was more or less for it from the very beginning?

Secretary **Weinberger**. No, I don't think that's correct, sir. I got the strong impression in August of 1985 and in December of 1985 that he was not for it. That it was in January of 1986 that he was for it. And I don't know of any single person or single event, but he—I just assume that he considered all the arguments many times, heard them all, and made up his own mind.

Mr. **Jenkins**. Let me have you turn to exhibit 6, where Colonel North in this PROF note indicates—this is to Poindexter, I believe: "In accord with your instructions, I have told their agent that we will sell them 120 items at price they can meet."

I want to talk about price for just a moment because I am not fully acquainted with this. When you sell to another agency, you sell at replacement cost, or do you sell at fair-market value?

Secretary **Weinberger**. Well, I think the requirement of the law is fair market value, and it is a difficult thing to ascertain when you are dealing with obsolete weapons that are no longer manufactured. And I think when you have that kind of situation, as I later learned, what they try to do is go back and deal something with the basic original——

Mr. **Jenkins**. This PROF note is talking about HAWKs, not TOWs, I believe.

But either way, normally the fair market value would be substantially less than replacement cost; isn't that correct?

Secretary **Weinberger**. Well, I don't know that that's generally true or not.

In this particular situation you had weapons that are no longer manufactured, that are obsolete, which we had a very, very large supply, and we—I think under those circumstances, since you can't go buy them on the market, so to speak, why then you have to look at what they cost you, and I think they try to add in any improvements that may have been made to them. Certainly they are supposed to add in any of the shipping costs or things of that kind.

But we're supposed to get, as I understand it, fair market value under the Economy Act. And that's what we tried to get. And as I've said, there were some honest mistakes made in the computation of that price that was submitted to CIA and we made that up by submitting what we believe is the correct price now, and a lot of it we collected.

Mr. **Jenkins**. Colonel North's statement that we will sell them 120 items at a price they can meet, you have——

Secretary **Weinberger**. I don't know what he's talking about there, no.

Mr. **Jenkins**. You didn't have any discussions——

Secretary **Weinberger**. None whatever.

Mr. **Jenkins**.—whatsoever with him——

Secretary **Weinberger**. No.

Mr. **Jenkins**.—with Colonel North on prices?

Secretary **Weinberger**. No. Or anything else.

Mr. **Jenkins**. Nor anything else?

Secretary **Weinberger**. No.

Mr. **Jenkins**. You never discussed anything with him?

Secretary **Weinberger**. No.

Mr. **Jenkins**. During any of the National Security Council meetings, was he present at——

Secretary **Weinberger**. I don't recall his being present. He may have been sitting in the back sometimes, but I don't recall it.

Mr. **Jenkins**. On to my final area. I want to talk for just a moment about the Findings.

I understand your testimony that you did not know about the January 17 Finding, I guess, until later.

Secretary **Weinberger**. Until, yes, November, I think.

Mr. **Jenkins**. And that this is not the normal process. Normally you would be advised as a Finding works its way through the draft stages into its final form, would you not?

Secretary **Weinberger**. Yes. That's been the practice with all the other Findings with which I'm familiar. I don't know of any others that were not handled that way.

Mr. **Jenkins**. So the Findings for this particular project were handled in an unusual——

Secretary **Weinberger**. Very unusual.

Mr. **Jenkins**. —very unusual manner?

Secretary **Weinberger**. Yes.

Mr. **Jenkins**. And, as a matter of fact——

Secretary **Weinberger**. I would like to think unique.

Mr. **Jenkins**. Bizarre?

Secretary **Weinberger**. Well, that has never happened before and I hope it will never happen again.

Mr. **Jenkins**. I think that is a good place for me to stop. It is bizarre.

Thank you very much, Mr. Secretary.

Chairman **Inouye**. The chair yields 5 minutes to committee counsel, Mr. Albright.

Mr. **Albright**. Thank you, Mr. Chairman. Mr. Secretary, are you familiar with the Special Operations Policy Advisory Group, or the SOPAG?

Secretary **Weinberger**. Well, I know a little bit about—I just heard the initials. I'm not too familiar with it by that name.

Mr. **Albright**. Are you familiar with what the function of that group is?

Secretary **Weinberger**. I wouldn't want to testify about it. I have heard the initials a little bit, but I don't have any expert knowledge of it, no.

Mr. **Albright**. You do know, though, do you not, that Major General Secord was appointed as a consultant to that group?

Secretary **Weinberger**. Well, I have read that he was, yes.

Mr. **Albright**. Do you know who made his appointment?

Secretary **Weinberger**. No, I don't.

Mr. **Albright**. His membership was terminated on August 4, 1986, based upon his failure to submit a financial disclosure form to the DOD.

Were you aware of this?

Secretary **Weinberger**. I have read about it since, but I didn't know it at the time.

Mr. **Albright**. As you may know, there's certain troubling evidence that has been presented to the committee concerning Mr. Secord's financial operations. Likewise his financial stake in the Iran and Contra operations has caused concern.

Do you know what type of financial data he refused to submit?

Secretary **Weinberger**. No, I wouldn't have any knowledge of the financial statements of people under various advisory committees or consultants. In the normal course, I wouldn't ever see any of those, and I've never seen his.

Mr. **Albright**. I would ask you to look at exhibit 33, if you would, which are questions and answers that you supplied to the House Permanent Select Committee on 18 December 1986.

There you mention that Major General Secord was removed from the group for failure to file the financial information.

Secretary **Weinberger**. Yes.

Mr. **Albright**. Is there anything other than that general information that you could provide to the committee?

Secretary **Weinberger**. No. That information was provided in response to a specific request by the committee, and we looked it up and got all the facts we could and turned them in.

I did not have any knowledge of it before the preparation of that response, and I don't know of anything other than that.

Mr. **Albright**. Mr. Secretary, you testified that on Friday that on January 17th or January 18th you received a call from Admiral Poindexter informing you that the President had decided to proceed with the Iranian initiative.

Secretary **Weinberger**. Yes.

Mr. **Albright**. You also testified that you did not know at that time that the President had signed the Finding regarding the covert action.

Secretary **Weinberger**. Yes, that's correct.

Mr. **Albright**. You are aware that it is only through the President's specific determination to withhold notification to Congress, as embodied in the January 17 Finding, that placed the requirement for notifying Congress with the President, are you not?

Secretary **Weinberger**. Well, I have been aware—become aware since, when I found out about the Finding, that it also contained that stricture, yes.

Mr. **Albright**. And you may recall that Mr. Genzman pointed out on Friday that the GAO conclusion dealing with notification of Congress said, and I quote, "Although DOD covert arms transfers may ordinarily be subject to congressional notification requirements, in this case the President's Finding ensured that the responsibility for meeting any such requirements remained with him."

As you have stated, you didn't see the Finding until the fall of 1986?

Secretary **Weinberger**. Sometime in November, yes, or December.

Mr. **Albright**. So at the time that DOD made the various transfers to the CIA, you were not aware that Congress was not going to be notified; is that correct?

Secretary **Weinberger**. I did not know anything about it, no.

Mr. **Albright**. Did anyone specifically tell you that Congress was not going to be notified?

Secretary **Weinberger**. No, not until November or December of that year.

Mr. **Albright**. Absent the knowledge of the non-notification clause in the Finding, would you have felt any obligation to see that DOD inform the Congress of the transfer?

Secretary **Weinberger**. Well, I don't think we had any responsibility or there was any notification issue. When we sell to another governmental agency, my understanding is that there is no requirement for that.

Mr. **Albright**. Well, there's been a great deal of discussion about that among the various agencies and within the various agencies, and as it's presently understood, the requirement rests with the Agency to whom transfers are made; is that correct?

Secretary **Weinberger**. That's the general understanding I have, yes, that we transfer to the other agency of the Government and that whatever reporting requirement is to be done, is to be done by them at whatever time they decide.

Mr. **Albright**. One final question, if I may.

Do you think that any legislative changes need to be made to tighten this aspect of congressional notification, and do you feel that some obligation should be placed on the transferring agency as well as the receiving agency?

Secretary **Weinberger**. I don't have any particularly strong views on it. I think it important that Congress be notified, but I think that the transferee agency is perfectly capable of doing it—the transferring agency is. I don't think it makes an awful lot of difference.

Mr. **Albright**. Thank you.

Thank you, Mr. Chairman.

Chairman INOUYE. Thank you very much.

Before proceeding, the following exhibits will be made part of the record: CWW-58 and CWW-59 and GPS-66.

[Exhibit GPS-66 appears in volume 100-9.]

Mr. McCOLLUM. Mr. Chairman, may I ask unanimous consent on that same point, that the Latham memorandum that I showed the Secretary earlier to be made an exhibit or part of the record.

Chairman INOUYE. Has that been cleared and sanitized?

Mr. McCOLLUM. It doesn't contain any—it hasn't been cleared or anything, but it doesn't retain anything remotely sensitive.

Chairman INOUYE. Without objection, so ordered.

Mr. Secretary, all of the Members of the panel have now asked their questions. However, three Members have reserved their time—Mr. Broomfield, Senator Sarbanes, and Senator McClure.

So now I will call upon Congressman Broomfield for 2 minutes.

Mr. BROOMFIELD. First of all, Mr. Chairman, I would like to compliment you and Senator Rudman and Senator—Congressman Lee Hamilton and also Dick Cheney for the way you have conducted these hearings. I think you have been extremely fair, and I just wanted you to know, as one Member of this committee, we are very proud of the way you have conducted them.

I don't have anything profound to say, but I do want to say this. Cap, I think that you and President Reagan have done a great deal to rebuild the credibility of this country as far as our defenses are concerned. I think, as I look back over these hearings, obviously I think it's unfortunate we had this Iran-Contra affair, but hopefully as a result of it we'll be better for it.

I think the reason I say that is I certainly don't condone the wrongdoing that was connected with the Iran-Contra affair, and I think the administration, to their credit—President Reagan has moved right in and changed things, as you have explained yesterday, as far as the National Security Council is concerned.

But really what does bother me is what is happening in Congress today. I think we have a situation that's turning more toward isolationism. It makes it awful difficult for the President of the United States to conduct foreign policy.

And I would hope that—I often think of the great statesman from Michigan, the late Arthur Vandenberg, who came to the rescue of President Truman on the Marshall Plan back in 1948. It really started us off on a bipartisan foreign policy.

And I was just thinking this morning, I had my staff get out the Inaugural Address of President Kennedy, what he said back on January 20, 1961, when he said in his Inaugural Address that he promised the United States—and I quote, "We shall pay any price, we'll bear any burden, and we'll meet any hardship, we'll support any friend, oppose any foe, to assure survival and the success of liberty."

How true that is. And wouldn't it be great if we could get back where members of both the Republican and Democratic parties would look at our foreign policy as American foreign policy—not a Republican or a Democrat foreign policy, but what's good for America.

I thank you very much for your fine appearance. Thank you, sir.

Chairman **Inouye**. Senator Sarbanes is recognized for 16 minutes.

Mr. **Sarbanes**. Mr. Secretary, I doubt I'll use all that time, but there are a couple of questions I want to put to you and then I want to develop a general subject area. I wanted to just ask you in the sending of Mr. McFarlane into Tehran in May of 1986, which, of course, you did not know about, but aside from your view about the initiative itself and the fact that you did not think it was a path down which we should proceed, what is your view of exposing a person who only 6 months before had been the National Security Adviser and had held that position for 2 years so that he had access to our country's most important secrets, to that risk of being taken in that environment, wasn't that a rash and imprudent course of action?

Secretary **Weinberger**. Well, I would not have selected Mr. McFarlane for that assignment if it had to be made, for a number of reasons, and I think the one you have mentioned is certainly a valid source of concern, yes.

That is not an atmosphere in which anyone can feel that they can enter without that kind of risk being at least possible, and certainly that is a proper risk to have in mind with that kind of choice of envoy, assuming one had to go, which I would strongly——

Mr. **Sarbanes**. Which you were against in the first place.

Secretary **Weinberger**. Yes.

Mr. **Sarbanes**. On the Grenada situation, which you cited as an example, that was an instance in which in a very highly secure matter, the Congress, the leaders of the Congress, were given notice ahead of time.

Secretary **Weinberger**. They were indeed. I was present Sunday, Sunday night, and the landing was Tuesday morning.

Mr. **Sarbanes**. Would you say that one of the reasons to give notice, aside from letting the Congress know, is to gain the benefit of the Congress' perception of the course of action that it is planned to be followed?

Secretary **Weinberger**. Yes, of course.

Mr. **Sarbanes**. For instance, in the arms-for-hostage situation, I think it is reasonable to assume that had the Congress been notified of that, the leadership, and it can be restricted under existing procedures to eight people out of 535, to only eight, but had they been told they would have had a very sharp reaction to it that would have essentially tracked the policy position that you and the Secretary of State were arguing within the administration circles.

In fact, I dare say that one of the things they would have pointed to was that your credibility and the Secretary of State's credibility would be severely undermined since you were pushing as hard as you could Operation Staunch, and that this would have exposed you where the countries, in effect, realized the United States was pursuing an opposite policy at the same time that you and the Secretary were pressing them not to ship arms.

You, in fact, encountered difficulties in that regard, did you not?

Secretary **Weinberger**. In which regard?

Mr. **Sarbanes**. In terms of your credibility with respect to Operation Staunch.

Secretary **Weinberger**. Yes, I did, and I am afraid there was some loss of credibility of the country because we were, as you say, pushing that initiative, that line of argument as carefully as we could and as vigorously as we could, that it was to everybody's disadvantage and we hoped they would stop that.

That was both before as well as after these transactions. Certainly there is bound to be some considerable question raised after that sort of experience.

Mr. **Sarbanes**. Now, on Friday we discussed the import of having the responsible policymakers cut out of the process, particularly yourself and the Secretary of State, who along with the President and Vice President, constitute the statutory members of the National Security Council.

And we agreed that that was an inexcusable and deplorable way to conduct the policymaking process of the Government. But I want to take just a few minutes today to focus on something that it seems to me raised very significant dangers in the sense of going beyond that.

And that is to look at this covert, unaccountable network that was being put into place to carry on activities. And there is an exhibit there that was included at the time of General Singlaub's testimony and then also again with respect to Colonel North.

Now, this was a proposal and to the best of our knowledge, nothing was done to implement it. And as it states in the "objective" right at the top of the page, "to create a conduit for maintaining a continuous flow of Soviet weapons and technology to be utilized by the United States in its support of Freedom Fighters in Nicaragua, Afghanistan, Angola, Cambodia, Ethiopia," et cetera.

And I think you get the best picture of it if you look at the chart on the second page, the three-way trade, in which the United States would send high technology to Country B, which would then send military equipment to Country A, which would then send the kind of military equipment to be used by Freedom Fighters to the trading company, which would then be in a position to disburse it around the world.

And on the following page, it states that as results of this, in the third paragraph, the United States then has at its disposal large and continuous supply of Soviet technology and weapons to channel to Freedom Fighters worldwide, mandating neither the consent or awareness of the Department of State or Congress. I take it that this is new to you.

Secretary **Weinberger**. I have never seen anything like this before, no, sir, and I hope I won't again.

Mr. **Sarbanes**. I was just going to ask you what your reaction is.

Secretary **Weinberger**. This is absurd as far as I am concerned, and I don't know of anybody who—the typing and everything about it looks totally unfamiliar. But I don't know where it came from, but there is so many things wrong with it I don't think either you or I have time to go into them all now. I have never seen it before, no.

Mr. **Sarbanes**. Now, the plan that Colonel North, and General Secord, and Mr. Hakim put into place was in some respects not entirely different, at least in terms of what they were seeking to develop, which was a hidden, unaccountable network, that was outside of all established channels and legitimate authority, and if you consider this I find the prospects chilling.

In effect, they were setting up a system where they would create a treasury from contributions by private individuals by solicitations to foreign countries and by the profits off of arms sales, the markup off of arms sales. That was what General Secord called the Enterprise when he testified before us.

And then the Enterprise would be able to engage in activities around the world. Now, they diverted monies from the Iran arms sales to the Contras although only a small portion of it, and it is very important to stress that, most of that money is in the Enterprise still.

We are talking about $8 million. But the prospects for this Enterprise were really extraordinary. When Mr. Hakim was here, we went over the Secord structure, and he had a chart there in which he had drawn in a box for Africa, and we asked him about that and he said, well, he said, one day General Secord says "who knows, if we do a good job the President may send us to Angola," and Mr. Hakim said, "at the rate these people have been going and coming up with so many surprises, I would not be surprised if they indeed did that, and I didn't want to have the burden of running around doing too any things at the same time, so I said let me go ahead and form another, not form a company, but have it ready. Indeed, it would happen I would just plug in a company in there and go ahead with it, just further foresight on my part." And I said to him, "so—while General Secord made it as a joke, you thought there was a possibility it might happen. Is that correct?"

Mr. Hakim said, "Yes, sir." And I then said to him, "Later you said, in my mind, you know the way this crazy thing is going, they might do that." He said, "Yes, sir."

"So the Enterprise had the potential, in your mind, to expand its activities?" And he said, "Yes."

And then he was later asked, "It could have gone elsewhere as well?" And he said, "Yes."

So you had this covert, unaccountable network being established outside of all channels of authority or responsibility with the possibility of, in effect, implementing its own policy.

Now, Admiral Poindexter, when he appeared before us, said he thought that this idea had some attractive features to it. He didn't know about it in detail. But he says, "It is an idea that has some attractive features, in my mind."

And the question I would put to you, obviously: is it an idea that has any attractive features in your mind?

Secretary **Weinberger**. No, none whatever, Senator. I thought that the common law and all of the rules under which civilization is governed grew out of the recognition that the warring private feudal groups could lead to nothing but war, and that the only way you could ever get a peaceful community under the rule of law was to have a government which was the source of and indeed the repository of the law.

So I think any of these things that attempt to run private operations of this nature become private governments, is totally wrong and I would be totally opposed to it.

Mr. **Sarbanes**. Well, Mr. Secretary, let me just close with this observation. I think frankly these hearings have served very important purposes. If they succeed in nothing else than making the contribution of replacing deniability with accountability for all government officials up to and including the President, it would have been a worthwhile endeavor.

I think the concept of deniability is unacceptable as an operating concept, and the whole democratic process is premised on the principle of accountability.

Some see these hearings as paying a price, as though it's a negative. I would argue just to the contrary. I think that an open and free society is the source of our strength; a democracy is based on an informed and consenting public and that you obviously cannot have such a public if the people are kept in the dark or lied to, and a democracy cannot withstand the dangers of policies that are built on lies and deceit.

Above all, I think it's imperative to recognize that disagreement by the public and their representatives over policies, over the substance of policies—and you have differed with Members of this committee on occasion and been in agreement with the very same Members on other issues on other occasions—that those differences are not a sign of weakness but a sign of strength. In fact, I recall you went into the Oxford Union to defend American policy and did it very successfully, as I understand.

Secretary **Weinberger**. Thank you, sir.

Mr. **Sarbanes**. And this disagreement, this difference over substance is not an excuse to renegade officials to create a private extra legal layer of government unaccountable to the people and their representatives as reflected in this memo or as reflected in the North, Secord, Hakim off-the-shelf operation. There were people prepared, unfortunately, to go outside the constitutional process to achieve their ends, and of course that path leads to the subverting of democracy, not to its strengthening and enhancement.

I've quoted before in these hearings, and I'm going to end by quoting it again, from Justice Brandeis in his dissent in the Olmstead case where he recognized the danger to liberty from well-meaning people. We have spoken here and in fact you spoke yesterday about, well, their motives may have been good, and we really need not argue about the motives in a sense because, as he pointed out, he said, "Men born of freedom are naturally alert to repel invasion of their liberty by evil-minded rulers." We're alert to that.

But he then went on and said, "The greatest dangers to liberty lurk in insidious encroachment by men of zeal, well-meaning but without understanding." And of course, it's that understanding that's critical.

I think you have reflected in your testimony before this committee, and I simply make reference to the response by Admiral Inman early in July when he appeared on one of the national Sunday talk shows, and he was asked about the process you should follow, the procedure you should follow, and he said the following: "My view is very direct. Once you have legislation that establishes a process, you have three alternatives. You get the law changed if you think it's wrong; if you believe it's unconstitutional, you find a case and take it to the Supreme Court; or you comply with the law and you work to make it work. I don't believe there's a legitimate option in a country of laws to simply go around it as the way you do business."

I take it you would agree with that?

Secretary **WEINBERGER**. Completely, yes, sir.

Mr. **SARBANES**. Thank you, Mr. Chairman.

Chairman **INOUYE**. The Chair recognizes Senator McClure for 8 minutes.

Mr. **MCCLURE**. Thank you very much, Mr. Chairman.

On August the 3d there was a column in the *Wall Street Journal* that started out—the column is by Andy Pasztor and Edward Pound. The opening sentence is, "For months congressional investigating committees have relentlessly pursued practically every lead to uncover the roots of the Iran-Contra scandal. But some critics say there has been one notable exception, exposing Israel's full role."

And I suppose there are those who think because I have pursued that course over the last several weeks in this committee, that somehow I'm against the nation of Israel or somehow less than sympathetic to the aspirations of those peoples in that brave country. But that article also pointed out that I believe, as others do believe, that you cannot really trace the evolution of American policy in this instance without looking at the influence, the very strong influence, and some would say the very proper influence of people who are friends of Israel upon the U.S. policy and the Israeli influence upon our policies.

In that connection, I was a little surprised earlier, or perhaps I didn't hear the question and answer correctly, with respect to a question that was asked by Congressman Foley as to whether or not you had knowledge of any arms sales by Israel to Iran.

Now, during the—just before the break, I gave to your staff a copy of a classified document, and it is still classified. We have been attempting to get it declassified so that we could use it more openly. But I gave it to your staff so that you could read it during the break and you would be informed with respect to it.

And this document is a memorandum, the United States Department of State, dated November 21, 1986, and it is in the committee files at this time.

Have you ever seen that document before?

Secretary **WEINBERGER**. Not before this morning, no, sir.

Mr. **MCCLURE**. Now have you had a chance to read it?

Secretary **WEINBERGER**. I read the summary of it, yes. I just got it during the recess.

Mr. **MCCLURE**. Does it say anything that surprises you?

Secretary **WEINBERGER**. Well, I had heard these reports before, and I heard the claims that were made that various sales had been made with our permission and so on, but Congressman Foley asked me if I knew of my own knowledge of any of these specific sales or transfers, and I said I did not, but I had heard reports of them.

This appears to be another set of reports or claims that they could make these sales.

Mr. **MCCLURE**. But you—well, there is one that's referred to in the document that has been publicized in the press. That is the portion that somebody has marked through with a marker of some sort and it is very hard to read.

Secretary Wehnberger. I can't read that. It is all marked out.

Mr. McClure. It does take a little deciphering to figure out exactly what is being said. There was a meeting on November 10 in which you were present, Secretary Shultz was present, and you made a note in your own notes which I think are exhibit no. 28 and you are referring to Secretary Shultz's statement, and I quote from your memorandum, "He said he felt the Israelis sucked us up into their operations so we could not object to their sales to Iran."

Do you remember that comment?

Secretary Weinberger. Yes.

Mr. McClure. It was also referred to by Mr. Keel in his notes of that meeting and also I think by Mr. Regan in his notes of that meeting.

Now that refers to sales to Iran by Israel; does it not?

Secretary Weinberger. Well, I think—it says "Into their operations so we could not object to their sales."

Sales of weapons, yes.

Mr. McClure. Doesn't that imply that there were sales by Israel to Iran?

Secretary Weinberger. That implies that that is what was said at the meeting.

Mr. McClure. Did you know of those sales?

Secretary Weinberger. No. I didn't know of my own knowledge. I knew of many reports of them and many claims that they had taken place and some claims that they had been authorized by us, but I did not know of any of these things as a fact of my own knowledge.

Mr. McClure. Did you hear General Secord's testimony or have you had occasion to refer to it at all?

Secretary Weinberger. No, I haven't, Senator. I really had so many other things to do, that I concentrated only on my own presentations.

Mr. McClure. I don't question that that is correct.

Page 273 of the hearing record, General Secord said—I asked the question, "Are you aware of any previous arms transactions between Israel and Iran?"

He goes on at some length saying, "Yes, sir."

For some period of time, that it was well known within the Department of Defense, while he was in government, that those sales took place. And I take it it is your answer that although people within the Department knew it, you didn't?

Secretary Weinberger. Well, there certainly was a lot of talk of it, Senator. There were a lot of statements made. There were a lot of reports. I did not know anything specifically of my own knowledge, and I thought I should be careful to delineate that here.

There certainly were a lot of reports and a lot of statements made. I think this statement at the meeting of November that you are talking about was again something that was said from the point of view that they did have—it was known that they had, the Israelis had relationships with the Iranians and that they had their own agenda, so to speak, as Mr. Shultz put it.

Mr. **McClure**. On April 25, 1987, you had an interview, a meeting with John Saxon of the committee staff. In that meeting, you told him that it was very difficult dealing with the Israelis because their defense was often that someone in the U.S. Government had told them it was OK to do something, and you said they were always saying something like "Al Haig said it was OK."

Secretary **Weinberger**. Yes.

Mr. **McClure**. That refers to arms sales also, does it not?

Secretary **Weinberger**. Yes. That was quite a long time ago, but that was a claim that they frequently made.

Mr. **McClure**. So you had had some discussions about it before, even if you didn't know about it personally?

Secretary **Weinberger**. These reports, yes.

Mr. **McClure**. Mr. Chairman, I can't help but close—and I know we are not making closing statements, but I can't help but close these hearings upon a note that for me at least takes a somewhat different view than that of others with respect to these hearings.

And that is it is a difficult and dangerous world in which we live, and I am not sure that the public is best informed by telling everything that we know nor that U.S. policy is best served by an absolute revelation of the innermost negotiations of our government.

I am reminded of a line that appeared in a play that I saw in New York a number of years ago. It referred to a different subject matter than the one we are talking about here today, but I will never forget the line.

It may apply to this one, too.

A playwright was being questioned with respect to some of the material kept in the play that the person protesting this line did not like and it dealt with some rather intimate sexual behavior, and the playwright's response in that play, "Butterflies Are Free," said, "Well, that's life. And therefore it should be reported."

And the response was, "So is diarrhea, but I don't know how to make it entertaining."

And I think you can apply that to these proceedings and many others like it that diarrhea may be a part of life, and that this may be a part of our government, but it hardly serves U.S. interests well to reveal it in such intimate and gruesome detail.

Thank you, Mr. Chairman.

Chairman **Inouye**. On that note of intimacy, Mr. Secretary, we have now come to the close as far as the questions are concerned, but if you can bear with us for just 2 minutes, we have a ritual we will have to go through.

We will be holding sessions to receive the testimony of intelligence agency witnesses on classified matters.

Pursuant to the rules of the United States Senate, I now offer a motion to the Senate Select Committee that these hearings, when they are reconvened tomorrow morning at 9:00 a.m., in room 2172 of the Rayburn Building, that they be closed due to the sensitive nature of this subject.

Mr. **Rudman**. Mr. Chairman, I second that motion.

Chairman **Hamilton**. Mr. Chairman, I will entertain a motion from the Ranking Minority Member regarding conducting these hearings in closed sessions.

Mr. Cheney. Mr. Chairman, due to the sensitive nature of the material to be discussed, I move the committee meet in executive session.

Chairman Inouye. We have before us Senate and House motions to close the hearings.

Any discussion?

Hearing none, the question for the Senators is on the motion to close the hearings.

After that, the House Committee will decide its motion.

The clerk will call the roll.

Ms. Ansheles. Mr. Mitchell?

Mr. Mitchell. Aye.

Ms. Ansheles. Mr. Nunn?

Mr. Nunn. Aye.

Ms. Ansheles. Mr. Sarbanes?

Mr. Sarbanes. Aye.

Ms. Ansheles. Mr. McClure.

Mr. McClure. Aye.

Ms. Ansheles. Mr. Cohen.

Mr. Cohen. Aye.

Ms. Ansheles. Mr. Trible?

Mr. Trible. Aye.

Ms. Ansheles. Mr. Rudman?

Mr. Rudman. Aye.

Ms. Ansheles. Mr. Inouye?

Chairman Inouye. Aye.

Ms. Ansheles. The vote is eight yeas; zero nays.

Chairman Inouye. The motion is carried.

Chairman Hamilton. The question before the House Committee is on the motion to close the hearings.

The clerk will call the roll.

Ms. Rayner. Mr. Hamilton?

Chairman Hamilton. Aye.

Ms. Rayner. Mr. Fascell?

[No response.]

Ms. Rayner. Mr. Foley?

[No response.]

Ms. Rayner. Mr. Rodino?

[No response.]

Ms. Rayner. Mr. Brooks?

Mr. Brooks. Aye.

Ms. Rayner. Mr. Stokes?

Mr. Stokes. Aye.

Ms. Rayner. Mr. Aspin?

Mr. Aspin. Aye.

Ms. Rayner. Mr. Boland?

Mr. Boland. Aye.

Ms. Rayner. Mr. Jenkins?

[No response.]

Ms. Rayner. Mr. Cheney?

Mr. Cheney. Aye.

Ms. Rayner. Mr. Broomfield?

Mr. Broomfield. Aye.

Ms. Rayner. Mr. Hyde?

Mr. **Hyde**. Aye.

Ms. **Rayner**. Mr. Courter?

Mr. **Courter**. Aye.

Ms. **Rayner**. Mr. McCollum?

Mr. **McCollum**. Aye.

Ms. **Rayner**. Mr. DeWine?

Mr. **DeWine**. Aye.

Ms. **Rayner**. The ayes are eleven, the noes are zero.

Chairman **Hamilton**. And the motion is carried.

Mr. **Rodino**. Mr. Chairman, may I vote on that?

Chairman **Hamilton**. By unanimous consent, the vote of Mr. Rodino is recognized.

Mr. **Rodino**. Votes aye.

Chairman **Hamilton**. The motion is carried.

Chairman **Inouye**. Mr. Secretary, you have been patient with us. You have been extremely candid. You have been extremely helpful to us in our investigation.

For that, on behalf of the Joint Committee, I thank you very much, sir.

Secretary **Weinberger**. Thank you very much, Senator.

Chairman **Inouye**. We will now stand in recess for 10 minutes.

[Recess.]

Chairman **Inouye**. The hearing will please come to order.

On May 5th we began our hearings and we are now at the point that all of us have been looking forward to. And to commemorate this occasion, I now call upon my colleague from the House, Congressman Richard Cheney.

Mr. **Cheney**. Thank you very much, Mr. Chairman.

Let me begin today by expressing my pleasure and gratitude at having served on this Select Committee as the ranking member with my colleague, Warren Rudman from New Hampshire, and our two chairmen, Mr. Hamilton and Senator Inouye.

In a sense, this was an historic occasion, simply being able to merge the two Select Committees into a single investigation and the success of the endeavor belongs in large part to our two chairmen who I think have done an outstanding job.

While there are obviously major differences within the committee over facts and over the significance of those facts, and the wisdom of various policies, always from a procedural standpoint, we have been treated extremely fairly, and the two Chairmen have operated in an impartial and bipartisan manner throughout.

I also want to say a word of thanks to my colleagues from the House on the Republican side of the aisle, Henry Hyde, Bill Broomfield, Jim Courter, Bill McCollum, and Mike DeWine.

We have often felt outnumbered but never subdued during the course of these debates, Mr. Chairman. I think it is—a couple of quick points I would like to make in closing.

Questions have been raised about why we had these committees established. I think it was preordained that there would be such an investigation once it became clear the administration was trading arms to Iran. Congress clearly has a legitimate role of oversight in reviewing the conduct of foreign policy by the administration, and the President himself supported these activities and encouraged us to form these Select Committees.

I also think it is important that credit be given to the President. He has given his complete cooperation and support to our investigation throughout. He has provided administration witnesses without ever claiming executive privilege, provided thousands of pages of documents, classified and unclassified, provided access to his own personal diary, and given these committees and the nation an in-depth look at some of the most sensitive and excruciatingly painful events of his administration.

I think it is also important to point out that once President Reagan understood the serious nature of the problems associated with these events, he moved boldly and decisively to make corrections. He reassigned the responsible individuals, created the new NSC staff under the able leadership of Frank Carlucci and General Powell, brought in a new White House Chief of Staff, a new Director of the CIA, appointed the Tower Commission, cooperated with the commission's investigation and took their criticisms to heart, supported the call for an independent counsel and, of course, gave his complete cooperation to these committees.

It takes a strong, confident leader to subject himself and his administration to the very thorough nature of this Congressional investigation. We are here today concluding the public phase of our hearings on time in large part because of the cooperation of the President and his administration.

President Reagan has enjoyed many successes during his more than 6 years in office. Clearly this was not one of them. As the President himself has said, mistakes were made—mistakes in selling arms to Iran, allowing the transaction to become focused on releasing American hostages, diverting funds from the arms sale to support for the Contras, misleading the Congress about the extent of NSC staff involvement with the Contras, delaying notification of anyone in Congress of the transactions until after the story broke in Lebanese newspapers, and tolerating a decisionmaking process within the upper reaches of the administration that lacked integrity and accountability for key elements of the process.

But there are some mitigating factors, factors which, while they don't justify administration mistakes, go a long way to helping them explain and make them understandable:

—The need is still evident today to find some way to alter our current relationships with Iran;

—The President's compassionate concern over the fate of Americans held hostage in Lebanon, especially the fate of Mr. William Buckley, our CIA Station Chief in Beirut;

—The vital importance of keeping the Nicaraguan Democratic Resistance alive until Congress could reverse itself and repeal the Boland amendment;

—The fact that for the President and most of his key advisers these events did not loom as large at the time they occurred as they do now;

—Congressional vacillations and uncertainty about our policies in Central America,

—And finally, a congressional track record of leaks of sensitive information sufficient to worry even the most apologetic advocate of an expansive role for the Congress in foreign policymaking.

It is also, I think, important to point out what these hearings did not show. There is no evidence that the President had any knowledge of the diversion of profits from the arms sale to the Nicaraguan Democratic Resistance. In fact, all of the evidence indicates that he had no knowledge whatsoever of the diversion.

There is also no evidence of any effort by the President or his senior advisers to cover up these events. On the contrary, the evidence clearly shows that the President and the Attorney General were the ones primarily responsible for bringing these events and matters to the attention of the Nation.

In other words, these hearings have demonstrated conclusively in my opinion that the President has indeed been telling the truth.

What does it all mean? What does it signify? These events have been characterized by some pretty strong statements by my colleagues on the committees and by some in the press over the past 8 months.

We have heard talk of a "grave constitutional crisis," listened to expressions of moral indignation and outrage—and even been treated to talk about a "coup in the White House,"—a junta run by a lieutenant colonel and an admiral.

My own personal view is that there has been far too much apocalyptic rhetoric about these events, most of it unjustified. If there ever was a crisis—which I doubt—it ended before these committees were established. And to the extent that corrective action was required, the President took it unilaterally before our Committees had taken a single word of public testimony.

Saying that the investigators have sometimes gotten carried away in an effort to outdo one another's colorful phrase-making in no way justifies the mistakes that were made. But what is required here, it seems to me, is a little calm, dispassionate analysis if we are going to learn from our study of these events.

In some respects, what we have uncovered in the course of these hearings is just the latest chapter in an unfinished book about the conduct of U.S. foreign policy.

The struggle between the President and the Congress for control over policymaking and implementation continues unabated. Nor should we be surprised that Secretaries of State and NSC Advisers find themselves at odds over the wisdom of various policies or engage in intense competition for the ear of the President.

Many of the substantive issues involved in the Iran-Contra affair have challenged previous Presidents and are bound to arise again in future administrations.

Thomas Jefferson had to cope with the problem of Americans held hostage overseas, and certainly Ronald Reagan's successors will confront the problem of Soviet efforts to expand their empire by military means through the use of surrogates in third world conflict.

As these committees finish the fact-finding phase of our inquiry, the focus must now shift to the search for ways to improve our government's capability and performance in the conduct of foreign policy. In the final analysis, an effective foreign policy needs cooperation and commitment from both ends of Pennsylvania Avenue. These hearings have concentrated on the executive end of the avenue.

It is always easier to examine someone else's mistakes. But the executive's problems are fairly easy to correct in principle. Indeed, the President has already taken a number of steps to guard against the kinds of actions that got him into trouble in the first place.

I would urge my colleagues to resist the temptation to enact new legislation designed to guarantee that no future President makes the mistakes that Ronald Reagan made in this instance. In my opinion, there is no justification for further restrictions on the power and flexibility of future Presidents, and I am pleased to note that Chairman Hamilton's statement this weekend, indicates that he, too, does not believe additional legislation is required.

Congress' problems, on the other hand, will be harder to correct because they have to do with institutional proclivities rather than individual people. Let me touch on just two of them.

I am personally persuaded that the difficulties we have investigated here could have been avoided if the President had vetoed the Boland amendment in 1984.

But that was an option only if the President was prepared to shut down the entire Federal Government, since the Boland amendment was part of that year's continuing resolution. Making significant change in foreign policy by adding amendments to continuing resolutions has become a fairly common practice in recent years. We have seen it on everything from Central American policy to mandating compliance with unratified arms control agreements.

The effect of this practice is to, first of all, obscure the significance of certain foreign policy issues; secondly, to deny the President the opportunity to use his veto effectively; and third, to allow a simple majority of the Congress to reverse the President on important policy matters without having to muster the two-thirds vote that was envisioned in the Constitution. This pernicious practice contributes significantly to the lack of stability and predictability in our foreign policy.

A second major institutional problem confronting the Congress is its inability to safeguard classified information.

The fact that the executive branch also leaks is no justification for Congress ignoring its own problems in this area. The fact is that nearly all sensitive information is generated in and controlled by the executive branch. Those of us in the legislative branch can pass statutes spelling out reporting requirements, but in the final analysis, the willingness of administration officials to share highly classified information is directly related to their confidence that we can keep a confidence.

Our track record in this area is not impressive. There are almost no recorded incidents of Congress disciplining its Members for leaking classified information.

In my opinion, a Congressman or Senator who would divulge classified information to someone not authorized to receive it dishonors the Congress just as much as a Member who would accept a bribe or sell his vote. Discipline ought to be swift and appropriate. Unfortunately, as a body we are not yet very good at this disciplining our colleagues.

I am personally persuaded that Mr. Hyde's recommendation for the establishment of a small joint intelligence committee would significantly improve our ability to safeguard the Nation's secrets. I hope it will be considered by this committee as we prepare our final report.

Clearly, there is plenty of work to be done if Congress is going to equip itself to play a constructive role in the conduct of U.S. foreign policy in the years ahead. And I fervently hope that future Presidents will take away from these hearings one important lesson: that no foreign policy can be effective for long without the wholehearted support of the Congress and the American people

It is often easier to develop a policy to be pursued overseas than it is to muster the political support here at home to sustain it.

Covert action has its place in the kind of world we live in, but it is no substitute for the kind of effective political leadership that brings around a recalcitrant Congress and persuades the American people of the importance of supporting those who share our faith in democracy.

Thank you very much, Mr. Chairman.

Chairman INOUYE. I am honored and pleased to recognize the Vice Chairman of the Senate Select Committee, Senator Warren Rudman.

Mr. RUDMAN. Mr. Chairman, Chairman Hamilton, at the outset I should note that I believe that this statement fairly represents the views of the Republican members of the Senate Committee.

Mr. Chairman, when we embarked on these hearings on May 5th, we had a goal: to find out exactly what happened and to present that in an intelligible manner. We wanted to determine how a policy of selling arms to Iran was conceived, approved, and implemented contrary to the stated, public, foreign policy of the United States.

We wanted to know about the diversion of proceeds from those sales to the Contras—who initiated it, who approved it, who knew about it, the extent to which the diversion was proper, and what happened to the money. We wanted to know about other efforts by U.S. Government officials to assist the Nicaraguan Democratic Forces when the Boland amendments were in effect, and the extent to which those activities were properly authorized and in compliance with the law. To the extent things had gone wrong, we wanted to learn why—was it the people or the process?

The purpose of these hearings has not been to cast blame or point fingers. It has been to learn from our mistakes by examining them in the open daylight, to hold them under the magnifying eye of television so that we can see where the executive branch and Congress went wrong, and to make such recommendations for change, if any, in Federal law or the foreign policy process to ensure that we never face an episode like this again. And since it is impossible to write laws against all human frailty, a purpose of these hearings has been to educate the American people, especially the future leaders of our great country—to dispute the observation that the only thing we learn form history is that we learn nothing—so that they might learn from the mistakes of others and avoid some of the pitfalls that face those who are in power.

To accomplish this goal, the Senate and House Select Committees have taken on an unprecedented task. We have reviewed more than a quarter of a million pages of documents. We have interviewed nearly 500 people. When we conclude this week, we will have had 38 days of public testimony and 3 or 4 days of closed testimony, encompassing 32 witnesses.

To do this job properly, we needed and—I will emphasize this—received the total cooperation of the President. The President gave us access to the most sensitive documents in the possession of his administration, including minutes from National Security Council meetings, internal White House decision memoranda, and even drafts of documents that never had official status. The President allowed us to review his personal diaries. The President waived all claims of executive privilege, which could have been legitimately asserted at many times, and he instructed all Federal agencies to cooperate, which they did.

Neither I nor any of my colleagues are ready at this point to definitively state all of our factual conclusions, much less our policy recommendations.

Speaking for myself, I am going to need the month of August to review, digest, and reflect on the mass of information we have collected.

However, there are some things that stand out after these weeks of testimony.

The policy of selling arms to Iran was duly authorized by President Reagan and, in the main, legally implemented. Whether it was in reality arms for hostages or whether that is just the common perception, will never be conclusively determined, but I suspect there is unanimous agreement on the Senate Committee that it was an act of folly as a means of re-establishing relations with Iran.

The testimony of both Admiral Poindexter and Attorney General Meese establish that the legal route used for the transactions was agreed to by the President and the Attorney General exclusively to avoid having to notify the House and Senate Intelligence Committees or, in the alternative, the House and Senate leadership.

Although the Presidential Finding authorized the operation and gave control over it to the CIA, operational control was in fact at the NSC in the person of Colonel North, who reported fully to Admiral Poindexter.

While one can debate whether other agencies undertook sufficient effort to review the operation, it is clear that Admiral Poindexter attempted to deny the State Department, the Defense Department, and White House staff the information necessary to enable them to engage in a review.

The diversion of funds to the Contras would not have been possible but for the mechanism chosen to conduct the Iranian arms sales.

According to the direct evidence, the diversion of funds was not authorized by or known to President Reagan. I am firmly convinced that statement is unequivocally correct having reviewed the entire documentary record, including the President's own personal diaries, to which we were given access in an extraordinary and unprecedented decision.

The only U.S. officials who knew of the diversion were Admiral Poindexter, Colonel North, Colonel Earl, and possibly Director Casey.

In addition, Mr. McFarlane learned of the diversion in May 1986, but he was only informed of it in passing, and had no reason to assume it was not properly authorized, and was not involved in it.

The diversion of funds was not only improper, but it failed to provide any meaningful assistance to the Contras. Although the amount paid to General Secord's Enterprise exceeded the cost of the weapons and related expenses by $16.34 million, only $3.5 million ever found its way to the Democratic Resistance.

That this fact came as a total surprise to Colonel North and Admiral Poindexter is interesting and perhaps reveals their naivete in using private enterprise to conduct foreign policy initiative.

With the exception of Admiral Poindexter, every high-level U.S. official who testified stated that Admiral Poindexter did not have the authority to approve the diversion; that the diversion was improper and possibly illegal; and that the President would not have approved of the diversion had he been consulted.

These officials are Secretary Shultz, Secretary Weinberger, former Chief of Staff Regan, and Attorney General Meese.

Other covert operations run out of the National Security Council, specifically, certain other Contra-support activities of Colonel North and the hostage release effort involving the DEA, were not approved the President.

This gives every appearance of violating President Reagan's orders to his own administration under Executive Order 12333 and National Security Decision Directive 159 and, in the case of the Contra-support activities, may have been illegal on other grounds.

The same four officials mentioned above testified that the National Security Council staff should not be conducting covert operations. That point is well taken inasmuch as the primary role of the National Security Council is to analyze and coordinate policy.

The CIA has recognized the dangers of mixing intelligence analysis and operational activities for years, and has gone to great lengths to separate the two.

This is further buttressed by the one-sided analyses prepared for the President by Colonel North and Admiral Poindexter, when they bothered to consult him, in these matters in which they were exercising operational control.

Inadequate control was exercised over these covert operations run out of the NSC. This may be a result of the fact that neither Admiral Poindexter nor Colonel North had any covert operations experience whatsoever prior to their time at the NSC. Or, it may be the result of a single-minded pursuit of goals they thought justified virtually by any means.

One aberration found in this set of events is that private parties were involved in the making of foreign policy, as distinguished from being hired as agents to carry out a task which assists in the implementation of policy.

For example, there were instances where Mr. Hakim and General Secord were apparently negotiating with foreign officials on behalf of the United States, where the outcome of the talks might make a tremendous difference to their own financial well being. The results speak for themselves.

NSC staff attempted to coverup all records of their questionable activities when the possibility of exposure arose. That coverup accelerated when the Attorney General undertook his fact-finding inquiry at the behest of the President.

The coverup included shredding of official documents, lying to the Attorney General and his representatives, and withholding information from the President.

The allegation that the Attorney General was himself involved in the coverup is unfair and in my view false. Although some of us have been strongly critical of some of the Attorney General's actions during the course of his inquiry, it was the Attorney General and his staff who initially uncovered some of the facts of the wrongdoing and exposed them.

Certain NSC staff showed total disrespect for the laws of the United States and our system of government, in effect adopting a position that the end justifies the means.

Admiral Poindexter made major decisions without consulting the President, misled or lied to Cabinet officers and the Congress, congratulated Colonel North for lying to Congress, and shredded official government documents, including those reflecting Presidential decisions.

Colonel North lied to Congress and the Attorney General, shredded government documents thereby frustrating a fact-finding inquiry undertaken at the specific request of the President, and engaged in a number of questionable activities, admittedly with his superior's approval.

He may have accepted a gift from a private individual knowing that it was illegal, albeit for understandable motives, and saw nothing wrong with commingling "official" and personal funds.

On this last point, while Colonel North persuasively testified that he gained no personal benefit from the commingling, he destroyed the only records which would corroborate that.

Both of them flouted virtually every standard operating procedure that exists within the national security establishment for the development of government policy.

These actions and the attitudes they represent are antithetical to our democratic system of government. They cannot be justified by passion, patriotism, appropriate concern over the expansion of communism in Central America, or legitimate dismay over the policies enacted by the Congress.

Good news also came out of this investigation. With the exception of those involved in the diversion, all government officials we heard from understand how our government is supposed to work and are dedicated to rebuilding the trust between the branches.

To the extent mistakes were made by them, they were errors in judgment. Errors in judgment, while regrettable, are not a threat to the core fabric of our political system. Infallibility is not yet a trait found among mankind, including, of course, those of us serving in Congress.

This investigation of the two committees has been conducted in a remarkably fair and bipartisan fashion. The Senators on the Senate Select Committee have devoted immense amounts of time, not only attending virtually every minute of these hearings, but devoting at least as much time again in preparation for the hearings, in reviewing classified material, and in attendance at depositions and meetings of the committee.

Each Senator thoroughly familiarized himself with a mass of information gathered. Each Senator participated actively in the hearings, asked excellent questions, and contributed to our work. They have earned the trust placed in them by their constituents.

I want to thank Chairman Hamilton, Chairman Inouye, and Representative Cheney. The bipartisan, thorough, fair, and expeditious nature of this investigation is due in large part to their efforts.

Over the next month, we will be reviewing the record developed by these hearings and discussing recommendations for the future.

These recommendations should not only deal with changes in the process of the executive branch. It is also important for the committee to look at the way in which Congress is involved in the foreign policy process and to make recommendations to improve relations between Congress and the executive branch. I look forward to a bipartisan report which will reflect the views of all of us.

I would like to close these remarks with a few comments that are strictly my own.

The Tower Board essentially concluded that the problem in this so-called Iran-Contra affair was that the normal processes had been ignored—and that is largely true. What the Tower Board missed, however—and this is through no fault of theirs since they lacked immunity power, subpoena authority, staff, and time—was the extent to which power was abused by a very small group of individuals.

Senator Nunn opened these hearings with the remark and I quote him that "we cannot promote democracy abroad by undermining it at home." That is what these individuals did and, in my view, it is the most important revelation of these hearings.

This abuse of power is dangerous to and fundamentally unacceptable in our constitutional system of government. And the most important message that must come out of these hearings is that there is no room for such behavior in this country.

There are many different perspectives represented on this committee, yet I have to hear anyone defend the diversion and the way it came about.

The administration obviously shares that view—the Secretary of Defense, the Secretary of State, the Attorney General, and the former White House Chief of Staff all condemned the diversion.

No matter how well intentioned the actions were, the officials responsible did a great disservice to our President and the country that they had sworn to serve.

The philosopher Nietzsche said, "Democratic contrivances are quarantine measures against that ancient plague, the lust for power. As such, they are very necessary and very boring."

When those safeguards are abused, as they were in this instance, it threatens the liberty of us all. There is no place for that kind of behavior or even the attitude it represents among high officials in our government.

Thank you very much, Mr. Chairman.

Chairman INOUYE. I thank you very much.

It is now my high privilege and great honor to call upon my distinguished colleague from the House, the gentleman from Indiana, the chairman of the House Select Committee, Chairman Hamilton.

Chairman HAMILTON. Thank you very much, Chairman Inouye.

We are now at the end of one phase of this inquiry, but the work of the Select Committees will continue. We will take additional depositions. We will hold closed hearings. Further public hearings are possible if new evidence warrants them. The committees, of course, must also write the report.

Nonetheless, this is an appropriate time to pause and assess where we stand.

What we have heard, as many have suggested, has been depressing, but for me, at least, the process has been refreshing. It has been refreshing in two respects.

First, I view these hearings and other investigations of these events as an essential part of the self-cleansing process of our system of government. Because of them, we know better what happened and what mistakes were made. We can see more clearly what needs to be done to make our system work better. As a result of these inquiries, the process of restoring our institutions is already well advanced.

Second, I believe these hearings have contributed not only to the public's understanding of these events, but also the public's education on our Constitution and system of government. This, too, strengthens the Government.

The committees have heard about 240 hours of testimony over the last 11 weeks from over thirty witnesses. They have examined well over 200,000 documents.

Several themes emerged.

There was too little accountability for decisions and actions taken in the name of elected officials.

There was too much secrecy and deception in government. Information was withheld from the Congress, other officials, friends and allies, and from the American people. Information provided was misleading and evasive. Critical decisions were taken by a handful of people. The Congress and responsible officials, even the President, were cut out of the process.

There was too little regard for the rule of law. False statements to the Congress are violations of law, as the Attorney General reminded us. Key decisions were made and carried out without written legal analysis, and without written notice to Congress as the law requires.

There was too much reliance on private citizens, foreign nationals, and foreign governments to execute American policy, which contributed to policy failure.

There was too much use of covert actions which contradicted public policies, and too little accountability for covert actions.

There was too much confusion at the highest levels of government. In the words of the Attorney General, "There appeared to be considerable confusion as to what occurred when." The President did not know what his own staff was doing; staff did not keep senior officials informed; policies were often contradictory.

These hearings have been about how the United States governs itself, and particularly how it runs its foreign policy. For this inquiry, the key question now is how we make our system of government work better.

The conduct of foreign policy in a democracy is difficult, because the Constitution gives important powers to the President and the

Congress. The scholar Edwin Corwin said the Constitution "is an invitation to struggle for the privilege of directing American foreign policy."

The Congress is a check on the executive, but also a partner. The Congress is sometimes a critic, yet its support is essential if policies are to succeed. The Congress sometimes has divisive foreign policy debates, but when debate ends, the country needs decisiveness and unity.

Some believe that a decisionmaking process that calls for shared powers and public debate just will not work in a dangerous world. They argue that sometimes bypassing normal checks and balances, through procedural shortcuts and secrecy, are necessary to protect our freedoms. They argue that the President, and those who work for him, must be given near total power. Their views have been stated here with great force and eloquence.

But these hearings make another point: shortcuts in the democratic process and excessive secrecy in the conduct of government are a sure road to policy failure. These hearings show us that policies formed under democratic scrutiny are better and wiser than policies formed without it.

Policies formed by shortcuts and excessive secrecy undermine a President's ability to make informed decisions, lead to confusion in his administration, and deny him the opportunity to gain and sustain congressional and public support for his policies.

Shortcuts that bypass the checks and balances of the system, and excessive secrecy by those who serve the President, do not strengthen him. They weaken him and our constitutional system.

Properly conceived, the Constitution is not a burden in the making of policy, but a source of strength, because it specifies a process for making policy through informed consent.

In its joint report, the committees should focus on several areas.

First, accountability. Greater accountability to elected officials and ultimately to the American people will require rigorous oversight by the Congress, more openness and less secrecy, more consultation, a more thorough review of legal review, better recordkeeping, use of appropriated funds rather than private or third-country donations to carry out policy, supervision and acceptance of responsibility up the chain of command, and decisionmaking by elected officials rather than staff.

Second, intelligence analysis should be separated from policy formulation. Substantial testimony before these committees shows great confusion between intelligence and policy functions. Questionable intelligence was used to bolster poor decisions. Good intelligence is essential to good foreign policy, but intelligence should drive policy, not vice-versa. Too often intelligence is seen as a tool to make policy look good, rather than a tool for making good policy.

Covert actions, which are not really intelligence operations, can be an important instrument of foreign policy. These hearings show that we must reassess how we conduct them.

To be effective, covert actions must be based on statutory authority, including a written Finding and notice to the Congress; they must meet a standard of accountability, including legal review by the Attorney General and policy review by the Secretaries of State and Defense; they must be determined by an intelligence assessment based on facts, not on preconceived notions of policymaking; they must be used to supplement policy, not become the policy itself; and they must meet a standard of acceptability. That standard includes consistency with public policies and a reasonable assurance that the American people would support a covert action if they knew about it.

Third, the President and the Congress need to exhibit a greater sensitivity to their respective roles. The President is the preeminent foreign policymaker. Only he can make the hard decisions. The buck does not stop anywhere else. The President's decisions must be clean and crisp. Otherwise, as we have seen in these hearings, confusion follows and those who work for him cannot carry out his policies successfully. The President must understand that our system works better if he engages in consultation before, not after, policy has been formulated.

The Congress also needs to get its house in order. It must strengthen its ability to protect secrets. It must show a willingness to engage in consultation, avoid interference in day-to-day policy implementation, take its share of responsibility for shared decisions on tough issues. The Congress must strike a balance between responsible criticism and necessary cooperation with the President.

Fourth, the Constitution and the rule of law work if we make them work. They are not self-executing. We must strengthen our allegiance to the concept that this is a nation of laws and of checks and balances.

The solution to the problem of decisionmaking revealed in these hearings lies less in new structures or new laws than in proper attitudes.

Secretary Shultz reminded us that "Trust is the coin of the realm." He insisted on honesty in public life.

Without trust in those who hold office, democratic government is not possible. Sometimes that trust is misplaced and the system falters. But to reject the system because it occasionally falters, and to rely instead on shortcuts and excessive secrecy—as was done in the events that these committees have examined—is a prescription for disaster.

A deep respect for the shared powers of the Congress and the President is the predicate for making the Constitution work. President John Adams said: "A legislative, an executive, and a judicial power comprehend the whole of what is meant and understood by government. It is by balancing each of these powers against the other two, that the efforts in human nature towards tyranny can alone be checked and restrained, and any degree of freedom preserved in the Constitution."

The separation of powers produces a healthy and a creative tension. We believe—and these hearings teach us again—that through the process of open and democratic debate, better and stronger policies emerge. The democratic process is often time-consuming and frustrating. It is never tidy and precise. But we believe there is no better way; the alternatives are unacceptable.

The Constitution and the rule of law work if we understand them, and if those in public life practice prudence, discretion and honesty.

As this public phase of these hearings draws to a close, may I join my colleagues in expressing appreciation to several people.

First, to the able staffs of the Select Committees, led by John Nields and Casey Miller in the House and by Arthur Liman and Mary Jane Checchi in the Senate. They have performed with great skill under difficult conditions. They have worked around the clock for months in order to meet the demands of the Members and the timetables of these proceedings.

Second, to my colleagues on these committees. They are all very busy Members, but their participation has been sustained, their questions and their comments have been excellent. Their efforts have brought distinction to these committees and to the Congress. Their remarkable contributions have assured the success of these hearings.

Third, of course, to Senators Inouye and Rudman, and Representative Cheney. They deserve great praise. It has been a pleasure and high privilege for me to work with them throughout these long weeks. To them, and especially to you, Chairman Inouye, I extend my deepest appreciation.

Thank you, sir.

Chairman INOUYE. Thank you very much.

Ladies and gentlemen, the public phase of our hearings is now over, but, as noted by Chairman Hamilton, our work is far from complete.

It may interest you to know that we have concluded our hearings in 41 days of testimony, which includes one day of executive session, and this was in accordance with our original schedule.

It may also interest you to know that in the Watergate hearings, they consumed 53 days of open hearings, 81 days of executive session, a total of 134 days as compared to our 41.

While there have been differences of opinion expressed by Members from time to time, I will always look back upon these hearings as a model of how Members of both Houses of Congress can work together on sensitive foreign policy issues in a bipartisan spirit. Like Chairman Hamilton, I wish to applaud each Member of both committees for his contribution to the success of this unique joint effort. It was a very historic effort.

My vice chairman and partner, Senator Rudman, and Chairman Hamilton and his ranking minority member, Mr. Cheney, deserve special recognition for their role in ensuring that these hearings would not deviate from their high purpose.

I also wish to thank the committee staff: Arthur Liman, without him, I don't know what history would have written about these hearings; Mark Belnick, Paul Barbadoro, Mary Jane Checchi, Lance Morgan. There are two others I would like to acknowledge. One is Joan Ansheles, and last but not least, Peter Simon.

When these hearings began 3 months ago, I stated that we would examine what happens when the "trust," which is the bond between the branches of our government, "is breached by high officials."

I promised that we would address the following questions: first, were the statutory restrictions on United States aid to the Contras violated?

Second, was Congress misled?

Third, were the executive branch's own internal checks and balances bypassed in policy decisions on Nicaragua and Iran?

Fourth, was there a public foreign policy and, simultaneously, was there a very different, covert foreign policy?

Fifth, was American foreign policy privatized?

Sixth, were decisions on the most significant matters of national security driven or influenced by private profit motives?

We have kept our promise in examining these questions.

The story has now been told. Speaking for myself, I see it as a chilling story—a story of deceit and duplicity and the arrogant disregard of the rule of law. It is a story of withholding vital information from the American people, from the Congress, from the Secretary of State, from the Secretary of Defense, and, according to Admiral Poindexter's testimony, from the President himself.

It is also a story of a flawed policy kept alive by a secret White House junta despite repeated warnings and signs of failure; with concession piled upon concession, culminating even in a promise to help secure the release of the imprisoned Dawa terrorists who bombed the U.S. embassy in Kuwait.

It is a story of the National Security Council staff becoming a dominant organ of foreign policy and shutting out those who disagreed with its views.

It is a story of how a great nation betrayed the principles which have made it great, and thereby became hostage to hostage-takers.

And, sadly, once the unsound policies began to unravel, it became a story of a coverup, of shredding and altering of the historical record, and of fall guy plans suitable for a grade-B movie, not a great power.

Whatever the motives of some of the participants, I can only echo the reaction of Chairman Fascell upon hearing the story of self-proclaimed patriotism: "How come I don't feel good?"

I believe we have largely succeeded in piecing together the incredible chapters of this chilling story and presenting to our fellow citizens a chronology of events as they occurred.

However, we may never know, with precision and truth, why it ever happened.

Did this unseemly chapter in our history result from the disregard of our laws and Constitution by well-intentioned, patriotic zealots who believed in the doctrine espoused by Marxists that the "ends justify the means"?

Or, are we here today because of the inadequacy of our laws and Constitution? Should they be clarified, amended or repealed?

Or, is this the result of an inadequacy in our national leadership?

Obviously, these hearings have been about issues much more profound than who did what or knew what in the Iran-Contra affair. They have presented two visions of government, much as the Constitutional Convention was presented with different views of the relationship between government and its citizens 200 years ago.

One vision was described in the testimony of Admiral Poindexter, Lt. Col. North, General Secord, and Mr. Hakim: that of a secret government, directed principally by NSC staffers, accountable to not a single elected official, including apparently the President himself—a shadowy government with its own air force, its own navy, its own fundraising mechanism, and the ability to pursue its own ideas of the national interest, free from all checks and balances and free from the law itself.

It is an elitist vision of government that trusts no one, not the people, not the Congress, and not the Cabinet.

It is a vision of a government operated by persons convinced they have a monopoly on truth.

Albert Hakim, a businessman who admitted he was in it for the money, could boast to us that he was more competent to manage the Iran initiative than the Secretary of State.

Richard Secord could tell us he was more capable of running intelligence activities than the CIA.

Oliver North could describe, with enthusiasm, Director Casey's plan for a private, off-the-shelf organization that would conduct covert operations forbidden to the CIA with funds generated from the sale of U.S. arms.

John Poindexter could say that this all sounded like a good idea, maintain that Congress had no meaningful role in foreign policy, and act secure in the belief that the President would have approved the diversion of funds.

I believe these hearings will be remembered longest not for the facts they elicited, but for the extraordinary and extraordinarily frightening views of government they exposed.

Fortunately, our hearings were able to present another vision of government: one that is accountable to the people; a legitimate, not secret, government, in which "trust is the coin of the realm," as Secretary of State George Shultz said. This is the balanced government that our founding fathers contemplated in our Constitution.

In describing their motives for riding roughshod over the constitutional restraints built into our form of government, Admiral Poindexter and Lt. Col. North used almost the identical words: "This is a dangerous world," they said. That, my fellow citizens, is an excuse for autocracy, not for policy.

Because no times were more dangerous than when our country was born, when revolution was our midwife. Our system of government has withstood the tests and tensions of civil conflict, depression and two world wars, times hardly less challenging than our own present.

Indeed, as our greatest military leaders, such as Washington, Marshall, and Eisenhower have recognized, our form of government is what gives us strength. It must be safeguarded, particularly when times are dangerous and the temptation to arrogate power is the greatest.

Vigilance abroad does not require us to abandon our ideals or rule of law at home. On the contrary, without our principles and without our ideals, we have little that is special or worthy to defend.

History records that almost 200 years ago, in September of 1787, as the Constitutional Convention was finishing its business, a bystander asked Benjamin Franklin: "Well, Doctor, what have we got, a republic or a monarchy?" Dr. Franklin replied: "A republic, if you can keep it."

By allowing the sunlight on this unseemly affair, and by showing what happens when foreign policy is conceived and executed by cabal and not by lawful consensus, we have tried to make our contribution to "keeping it."

My fellow Americans, out of this experience, may we all better understand and appreciate our Constitution, strive harder to preserve it, and make a fresh start at restoring the trust between the branches of government. For, in America, as 200 years ago, the people still rule.

With that, these hearings stand recessed until further call.

[Whereupon, at 1:10 p.m., the Select Committees recessed, to reconvene in executive session, at 9:00 a.m., on Tuesday, August 4, 1987.]

APPENDIX A: EXHIBITS

EXHIBIT DTR-1

UNCLASSIFIED

The Director of Central Intelligence

Washington, D.C. 20505

85-1254

EYES ONLY

20 March 1985

Central America

C 4862

EXHIBIT
DTR-1

The Honorable Donald T. Regan
Chief of Staff and Assistant
  to the President
The White House
Washington, D. C. 20500

Dear Don,

The effort to explain the security and credibility stakes in Central America is already very late. A white paper cleared well over a month ago is still somewhere in the bureaucracy. Supporters on the hill are clamoring for guidance. As far as I know, none of the material that was to be available in February has been seen.

There is worry that a budget fight may require deferring the contra vote. It's pretty bad if this government can't handle more than one legislative battle at a time.

The battle for contra funding is viewed in Central and Latin America as a litmus test of US resolve and long-term intentions in Central America. We have informed our Central American allies in definitive terms that we will be seeking Congressional approval for renewed aid immediately following the MX missile vote. Any delay in this endeavor, for whatever reasons, will be interpreted by all observers, friendly and unfriendly, as a weakening of US resolve.

[redacted] which resulted in the 2 March signing of the San Jose declaration which unified key armed and unarmed opposition leaders in Nicaragua around a common set of principles and objectives. This declaration has been widely acclaimed by all observers as a positive development. It has led to key regional leaders, Presidents Barletta of Panama, Lusinchi of Venezuela, and Betancur of Colombia meeting for the first time with Nicaraguan opposition groups which include leaders of the armed opposition. [redacted] has placed the Nicaraguans on the defensive and has given momentum to the opposition. [redacted]

The forthright stand taken by President Reagan in his public declarations of support for renewed aid has steeled the resolve of our regional allies and of the Nicaraguan opposition both armed and unarmed. As a result of President Reagan's clear support and the momentum accruing to them from the 2 March declaration, opposition leaders are demonstrating confidence and unity that we have not previously seen. Even more important, regional allies are demonstrating signs of a willingness to support our policies. Conversely, the Sandinistas are demonstrating an atypical hesitancy and a lack of sure-footedness.

28 Jul 87

288

Executive Registry
?8,057

CL BY 000H074
RVW OADR

[redacted]

CIIN 1878

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C 4863

[redacted] We have closely monitored these Sandinista preparations but are precluded from providing any warning, advice or assistance to the FDN. This is an unsatisfactory situation which can only be changed by modification of existing legislation. It is our assessment that without renewed aid, advice and guidance, the Sandinista effort to destroy the effectiveness of the armed opposition will be successful, probably within a twelve-month period. Of equal importance, it is our assessment that without renewed funding the unity and effectiveness of the unarmed opposition will quickly disintegrate.

Against this background, it is crucial that we move quickly and strongly for renewed funding for the armed opposition. Not to do so will:

-- result in failure to capitalize on our momentum of the moment and yield the initiative once again to the Sandinistas;

-- seriously undermine our credibility with our regional partners and call into question explicit messages passed to them by senior administration officials;

-- have a highly negative, perhaps even devastating, impact on the morale and effectiveness of the opposition both armed and unarmed, internal and external;

-- hand the Sandinistas and their Soviet/Cuban backers an unearned victory;

-- finally, have a negative impact internationally as delay will be interpreted as an indicator that the US is once again abandoning its allies in a moment of crisis.

I am told that private organizations have made major commitments and set up their program to inform the public of what's at stake on a schedule geared to a tentative government schedule which is some weeks behind on its implementation.

God save America!

Sincerely,

Bill

William J. Casey

cc: The Honorable Patrick J. Buchanan
Assistant to the President
for Communications

Executive Registry
38,052

C11N1878

UNCLASSIFIED

C 4868

QUOTATIONS ABOUT NICARAGUA

"[illegible] of us, the Administration, you as citizens, and your representatives in the Congress. The people of Central America can succeed if we provide the assistance I have proposed. We Americans should be proud of what we are trying to do in Central America, and proud of what, together with our friends, we can do in Central America — to support democracy, human rights, and economic growth, while preserving peace so close to home. Let us show the world what we want no hostile, Communist colonies here in the Americas: South, Central, or North."

President Reagan, May 9, 1984

"It is not popular support that sustains the insurgents. . . . this insurgency depends for its life blood -- arms, ammunition, financing, logistics and command-and-control facilities -- upon outside assistance from Nicaragua and Cuba. . . . It has provided -- by land, sea and air -- the great bulk of military equipment and support received by the insurgents."

On El Salvador
U.S. Congress, House Permanent
Select Committee on Intelligence
(96th Congress, 1st Session, 1983)

"Nicaragua and El Salvador will soon fall to guerrilla forces" and their governments will "take their place in the trash heap of history."

Fidel Castro, May 1979, before
Sandinistas took control of Nicaragua

"Today in Nicaragua there is terror where there was once bright hope."

Eden Pastora

"Armed subversion has but one launching pad: Nicaragua. While Nicaragua draws the attention of the world by saying that for two years they have been on the verge of being invaded, they have not ceased for one instant to invade our country."

Salvadoran President Alvaro Magana,
December 22, 1983

"Nothing is more humanitarian than preventing the Marxist-Leninist juggernaut from imposing its bloody, ruthless" control over Central America.
"Every bit of moral fiber in my being tells me it is wrong, wrong, wrong" to deny the aid.

Senator John P. East (NC), June 25, 1984

Executive Registry
38,057

C/IN 1880

UNCLASSIFIED 4869

"We have to recognize that the Cubans are the fulcrum of the revolution in Latin America."

Joaquin Villalobos, Top Leader of Salvadoran Guerrillas, 1980

The Marshal [Soviet Army Chief of General Staff Marshal Nikolai V. Ogarkov] said that over two decades ago, there was only Cuba in Latin America; today there are Nicaragua, Grenada, and a serious battle is going on in El Salvador."

From memorandum of conversation between Marshal Ogarkov and Grenadian Army Chief of Staff Einstein Louison on March 10, 1983

It is necessary to "stop [Fidel] Castro's influence militarily, otherwise there will be no place left in the Americas to send our humanitarian efforts."

Dr. Othneil J. Seiden, Medical Volunteer in Honduras and Nicaragua

"Internal democracy solves all the other problems. If there isn't any, Nicaragua's threat to its Central American neighbors will not abate."

Senior U.S. Official in Managua

"The easy parts are over. Things now will take a lot more time, and time is what we don't have much of."

Virgilio Godoy, leader of the opposition Liberal Independent Party (formerly a cabinet member of the Sandinistan government)

Executive Registry
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CIIN 1880 UNCLASSIFIED

Exhibit DTR-2

UNCLASSIFIED

July 13, 1985

N 18906

EXHIBIT DTR-2

FROM: The White House

TO: The Secretary of State's Aircraft

Please deliver the following message from Bud McFarlane to Secretary Shultz personally and to no other for him. It must repeat must be opened by the Secretary only. If it is not posible to do so, then so advise this station.

2250

SUBJECT: Israeli-Iranian Contact

1. [redacted]

2. [redacted] dimension to it. The short term dimension concerns the seven hostages; the long term dimension involves the establishment of a private dialogue with Iranian officials on the broader relations

3. It may perhaps first be useful to provide some background on how this matter came to my attention. Today, I received a private emissary who asked to convey a message from Prime Minist Peres. Reduced to its essentials, the oral message expressed th Israeli position that their access to Iranian officials (which i became clear has involved extensive dialogue for some time) had surfaced serious interest among authoritative persons in the Iranian hierarchy in opening a dialogue with the west. A month or so ago, the Israelis surfaced this interest in a Peres sessic with Michael Ledeen who reported it to me. Separately, Rabin

UNCLASSIFIED

Partially Declassified/Released on 21 July 1987
under provisions of E.O. 12356

BEST AVAILABLE COPY

reported the contact to Sam Lewis and he to you. Ledeen had been in Israel on his own and without any sponsorship from me but he did report the contact. I was awaiting a chance to report it to you when Sam's report reached you and following your stated disinclination, I told Ledeen to state tersely to whomever he dealt with that we did not favor such a process. He did so.

4. Last week, during David Kimche's visit, he asked for 10 minutes with me following a larger meeting. Kimche [redacted] that they were puzzled by our disinclination and that he was instructed to determine its accuracy. I stated flatly that we could not undertake such a dialogue (or trialogue) at this time. David did not amplify in any degree as to what they intended but clearly understood my flat turndown. He asked again [redacted] that I raise it with appropriate authorities and reconfirm it. I committed to do so but frankly thought it could wait until your trip and some of our more pressing business was behind us. My lone thought at the time was that it was interesting that Kimche [redacted]

5. Then came today's emissary who again, [redacted] He stated that Israel has for some time been conducting meetings with high level persons in Iran. At a recent meeting in Germany attended by Kimche, a man named Al Schwimmer (Father of the Israeli aircraft industry), and on the

Iranian side [redacted] and an advisor to the Prime Minister named Gorbanifar, the Iranians presented a picture of contemporary Iran that was extremely pessimistic; continued economic decline, stalemate on the war front; no improvement even assuming Khomeini's passing without having "an option." Their hope and that of what they portrayed as a significant cadre of the hierarchy was to develop a dialogue with the west. At this point and often throughout the conversatio Kimche reminded them that they were talking to Israelis who aren't the "west" per se and what did they have in mind? The interlocutors stated emphatically that they sought a dialogue with the United States. The Israelis pressed (in the interest of vetting the bona fides of the Iranians with the real power in Iran) for some tangible show of their ability "to deliver" in such a dialogue. The Iranians stated that they were very confiden that they could in the short term, achieve the release of the seven Americans held hostage in Lebanon. But in exchange they would need to show some gain. They sought specifically the delivery from Israel of 100 TOW missiles. But they stated that the larger purpose would be the opening of a private dialogue with a high level American official and a sustained discussion of US-Iranian relations.

6. The concept raises a number of imponderable questions. First, there is your very reasonable concern raised a month ago when the issue was just intelligence sharing, [redacted] That is very real and one has to consider how such a "trialogue" would be affected over time by sustained

SECRET/SENSITIVE

UNCLASSIFIED

Israeli involvement. Surely we ought to expect that Israel's fears over any Arab (as opposed to Iranian) fallout would not always necessarily coincide with our own. [redacted]

7. On the short-term aspect, the [illegible] family of questions related to our terrorism policy against negotiating with terrorist (notwithstanding the thin veil provided by Israel as the cutout on this specific matter). As a footnote I have checked and determined that Iran had TOW missiles before the Shah's fall and, consequently, their using TOWs now would [illegible] necessarily raise too many eyebrows.

8. Then one has to consider where this might lead in terms of our being asked to up the ante on more and more arms and where that could conceivably lead, not just in the compromise of our position, but to the possible eventuality of the Iranians "winnin and where that would put the security of the neighboring Gulf States. Clearly that is a loser. But I would think that, given the vulnerability of the Iranian interlocutor to our discrete blowing of his cover with Khomeini, ought to enable us to control that.

9. At the end of the day, our long term interest remains in maintaining an ability to renew ties with Iran under some more sensible successor regime. Whether or not this contact is

UNCLASSIFIED

connected to viable, stable parties in Iran remains to be seen. It could be that these people are no more than self-serving, self-promoters who seek to curry favor with an element of the military -- those who happen to want TOWs right now. But I would think their risk of exposure again, provides some insurance against that. And Israel is not noted for dealing with fools and charlatans.

10. George, I cannot judge the equities on this. We need to think about it. But I don't think we should tarry. [redacted] On balance my instincts are to see our larger interest in establishing an entree to someone in Iran and the check provided by the Iranian interlocutor's vulnerability to being "blown" as giving us some insurance against perfidy. We could make a tentative show of interest without commitment and see what happens. Or we could walk away. On balance I tend to favor going ahead.

10. As a final note, and please understand that I intend no comment on the NEA bureau for which I have profound respect, I don't believe this should go beyond you and Charlie Hill. It isn't at all that others lack judgment. It is simply a matter of the potential for compromise as the circle widens which is axiomatic.

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11. The emissary will return to Israel on Tuesday. We should give him some signal by then, preferably on Monday Washington time. I will await and abide fully by your decision.

12. Finally, the President has been in the operating room for 3 hours. I will keep you advised.

Warm Regards, Bud

P.S. - I have just received word from Don Regan that the operation has been completed and was entirely successful. [redacted]

RCM

UNCLASSIFIED

TOP SECRET/SENSITIVE

EXHIBIT DTR-3

#564

/Released on MAY 7, 1987
under provisions of E.O. 12356
B. Reger, National Security Council

THE WHITE HOUSE
WASHINGTON

N 9664

EXHIBIT
DTR-3

September 5, 1985

Dear Mr. Chairman:

This is in reply to your letter of August 20, 1985 in which you called attention to press reports of "...alleged activities by the National Security Council (staff) regarding the contras in Nicaragua..." and asked for a full report and legal justification for any such activities. Like you, I take such charges very seriously and consequently have thoroughly examined the facts and all matters which in any remote fashion could bear upon these charges. From that review I can state with deep personal conviction that at no time did I or any member of the National Security Council staff violate the letter or spirit of the law. While your letter refers to the language of the Boland amendment which proscribes activities "...for the purpose or which would have the effect of supporting, directly or indirectly, military or paramilitary operations in Nicaragua by any nation, group, organization, movement, or individual," I would extend my assurance to the violation of any law.

Your letter does provide a timely opportunity to restate the policy of this Administration with regard to the Nicaraguan Freedom Fighters and just what activities have been undertaken in support of this policy. First, it is I think clear that President Reagan believes in the cause espoused by the Freedom Fighters -- opposition to Sandinista repression and the achievement of democracy in Nicaragua. But it is also true that the President has made it emphatically clear that all US support was to be in strict compliance with the law. What then was the nature of our contacts with the Freedom Fighters?

In the fall of last year, with the enactment of the Boland Amendment, it was apparent that the Freedom Fighters were demoralized at the prospect of an end to US support for their cause. While we acknowledged to them that we could no longer contribute directly or indirectly to the military/paramilitary prosecution of their resistance, we stated that we would continue to seek Congressional support to do so and that meanwhile they could usefully devote their efforts in other directions. For example, it was clear that the Freedom Fighters were at a disadvantage to the extent that their goals, purposes and terms were poorly understood while those of the Sandinistas were promoted by their existing diplomatic and public affairs institutions and those of their bloc patrons. In order to help balance this promotional effort, we discussed with the Contra leaders the importance of their explaining their cause to the public and their providing information to interested Members of the Congress. We pointed out why there was a natural sentiment of antagonism toward them by some in the United States. In this

/Released on 8 May 1987
under provisions of E.O. 12356
[illegible]

latter regard, we stressed reports of alleged atrocities imputed to them and urged strongly that they investigate these charges and, if true, punish those responsible. Separately, we stressed that their purposes would suffer a lack of credibility for as long as their activities remained only military. We urged that they forge a representative political front involving credible non-military figures and that this front take responsibility for framing a political program centered on achieving a peaceful, democratic evolution in Nicaragua. Over time, these efforts led to the March 1 San Jose declaration in which the Freedom Fighters offered to lay down their arms and enter into a church-mediated dialogue with the Sandinistas. As this process began to mature this past spring we encouraged them to desist from military activities at a time when their proposal might have had some chance of adoption by the other side. At no time did we encourage military activities. Our emphasis on a policial rather than a military solution to the situation was as close as we ever came to influencing the military aspect of their struggle.

It is equally important to stress what we did not do. We did not solicit funds or other support for military or paramilitary activities either from Americans or third parties. We did not offer tactical advice for the conduct of their military activities or their organization. Nor did our liaison contacts seek to influence them toward other than a democratic outcome. Our most recent contacts with the Freedom Fighters have dealt with the administration of the $27 million in humanitarian assistance. Our effort has been to ensure that this program is properly administered and that it, too, is fully compliant with the legal requirements contained in the legislation. In short, we want to do it right.

With regard to the legal justification for the activities I have cited, I can only state the reasonable requirement that any Administration gain appropriate information on which to base coherent policy decisions. The Freedom Fighters comprised one significant element among many on whom it was and remains important for the Administration to be advised in a timely fashion. As a personal observation I would only add that had we failed to do so, the absence of influence, which in all likelihood would have ensued, could have led the Freedom Fighters to adopt a purely military effort -- a course which neither you nor I would support. But I wish to stress once more that at no time did it seem to me that any of our activities was in contravention of law or the public trust.

Mr. Chairman, I believe that future events will confirm that our contact with the resistance has had a positive effect on achieving a democratic outcome in the region. I well recognize that the Administration and the Congress may differ as to how best to achieve this goal. Nonetheless, we are both in agreement that such an outcome is desirable and that it must be achieved within the limits of our law. Should you so desire, I would be

N 9666

most willing to discuss this matter further with you and other members of your committee. Thank you for this opportunity to clarify what has been a most unfortunate misrepresentation of the facts.

Sincerely,

Robert McFarlane

The Honorable Lee H. Hamilton
Chairman
Permanent Select Committee
  on Intelligence
House of Representatives
Washington, D. C. 20515

N 9667

P.S. Mr. Chairman, I would like to call to your attention a particularly unfortunate result of the recent public allegations. Following the appearance in a Sunday article of the charges, Lieutenant Colonel Oliver North, the officer who conducted many of the contacts with the Freedom Fighters, suffered a number of intrusions on his family life. Demonstrators at his home pushed down a fence; one of his pets was poisoned and his automobile was damaged. He and members of his family received numerous harassing telephone calls at various times of day and night. To avoid this harassment, he had to leave home with his family and take up temporary residence at a remote location until the demonstrations ceased. I would ask that you not share these events with anyone for neither he nor I wish to engender sympathy. I bring them to your attention in the interest of bringing this matter to a close. I am at your disposal to help in any way possible.

EXHIBIT DTR-4

#566 Exhibit DTR-4

~~CONFIDENTIAL~~ UNCLASSIFIED

ssified/Released on MAY 7, 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

N 9648

THE WHITE HOUSE
WASHINGTON

September 12, 1985

~~CONFIDENTIAL~~

Dear Congressman Barnes:

This is in reply to your letter of August 16, regarding the activities of members of the NSC staff in connection with the Nicaraguan democratic resistance. Like you, I take these charges very seriously and consequently have thoroughly examined the facts and circumstances which could bear upon these charges in any fashion.

Based on this review, I want to assure you that my actions, and those of my staff, have been in compliance with both the spirit and the letter of the law. In your letter, you referred specifically to the proscriptive language of Section 8066 of P.L. 98-473--the Boland Amendment. There have not been, nor will there be, any expenditures of NSC funds which would have the effect of supporting directly or indirectly military or paramilitary operations in Nicaragua by any nation, group, organization, movement, or individual. Indeed, our actions have been and must be in conformity, not only with this proscription, but with all laws.

Your letter affords a useful opportunity to comment upon allegations in the media regarding the activities of Lieutenant Colonel North and other members of my staff. Various NSC staff officers have been in contact with members of the Nicaraguan resistance since the opposition began to organize in 1982. These staff contacts, as well as my own, and those of the President, have been important in determining the course of our policy. Discussions with the resistance leaders have helped us to assess the integrity of their commitment to the cause of democracy and justice in Nicaragua. We have also discussed the evolving character of U.S. support as we moved from covert support for their cause in 1982-84 to the more restrictive, exclusively political support allowed since October of last year to the current situation in which we are able to provide only humanitarian assistance.

Contrary to reports that we used these contacts to provide "tactical influence" or to plan military operations, we urged the resistance leaders to forge a representative political front, involving credible non-military figures, aimed at achieving a democratic outcome in Nicaragua. We have also emphasized that

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~~CONFIDENTIAL~~

N 9649

the resistance must investigate charges of human rights violations, punish any guilty parties, and put in place measures to prevent such acts from taking place. Throughout, we have scrupulously abided by the spirit and the letter of the law. None of us has solicited funds, facilitated contacts for prospective potential donors, or otherwise organised or coordinated the military or paramilitary efforts of the resistance.

Since October 1984 when the Boland restrictions were enacted, Lieutenant Colonel North has travelled to Central America eight times for the purpose of meeting with foreign government officials regarding our Central America policy. During these trips, as well as in other meetings in the U.S., he has conferred with leaders of the Nicaraguan resistance. He acknowledged to both the foreign government officials and the opposition leaders that, while we could no longer contribute directly or indirectly to the military/paramilitary prosecution of their resistance, we would continue to seek Congressional support for their cause. He further urged, as I did during my January 1985 trip to the region, that every effort be made to broaden their political base and establish a political program providing for negotiations toward an internal reconciliation. We also urged that they make clear their commitment to a political, not a military solution, in their international contacts.

These efforts led to the March 1 San Jose Declaration in which the freedom fighters offered to lay down their arms and enter into a church-mediated dialogue with the Sandinistas. As this process matured this past Spring, the President met with the three principal resistance leaders and encouraged them to desist from military activites when it appeared that their proposal might be accepted by the Sandinistas. These actions resulted in the June 12 statement of democratic objectives announced by the Unified Nicaraguan Opposition (UNO) in San Salvador, El Salvador. Our emphasis throughout has been on a political rather than a military solution.

Recent contacts with the resistance have focused on ensuring that the $27 million in humanitarian assistance is properly administered and fully compliant with the legal requirements contained in the legislation. In short, we want to do it right. I well recognize that the Administration and the Congress may differ as to how we can best achieve our shared goal of a democratic outcome in the Central American region. Nonetheless, we agree on the desirability of this outcome and that it must be achieved within the limits of our law.

CONFIDENTIAL

N 9651.

~~CONFIDENTIAL~~

Mr. Chairman, like you, I am most concerned that at a time when humanitarian assistance is being extended to the UNO there be no misgivings as to the existence of any parallel efforts to provide, directly or indirectly, support for military or paramilitary activities in Nicaragua. There has not been, nor will there be, any such activities by the NSC staff. In the interest of providing such assurances as may be helpful in forging mutual trust and confidence, I remain fully prepared to discuss these matters with you and other members of your committee.

Thank you again for this opportunity to clarify a most unfortunate misrepresentation of the facts.

Sincerely,

The Honorable Michael D. Barnes
House of Representatives
Washington, D.C. 20515

~~CONFIDENTIAL~~

CONFIDENTIAL

EXHIBIT DTR-5

(Q1354)

26 NOV

0900 - Call from Secord

- Going to [redacted] & T.A.
- Advised of Heart atk.

0920 - OAKLEY

- Legis people -
  Alichel(?) - Fascell
  Borues is problem
  [redacted] call to Borues

[redacted]

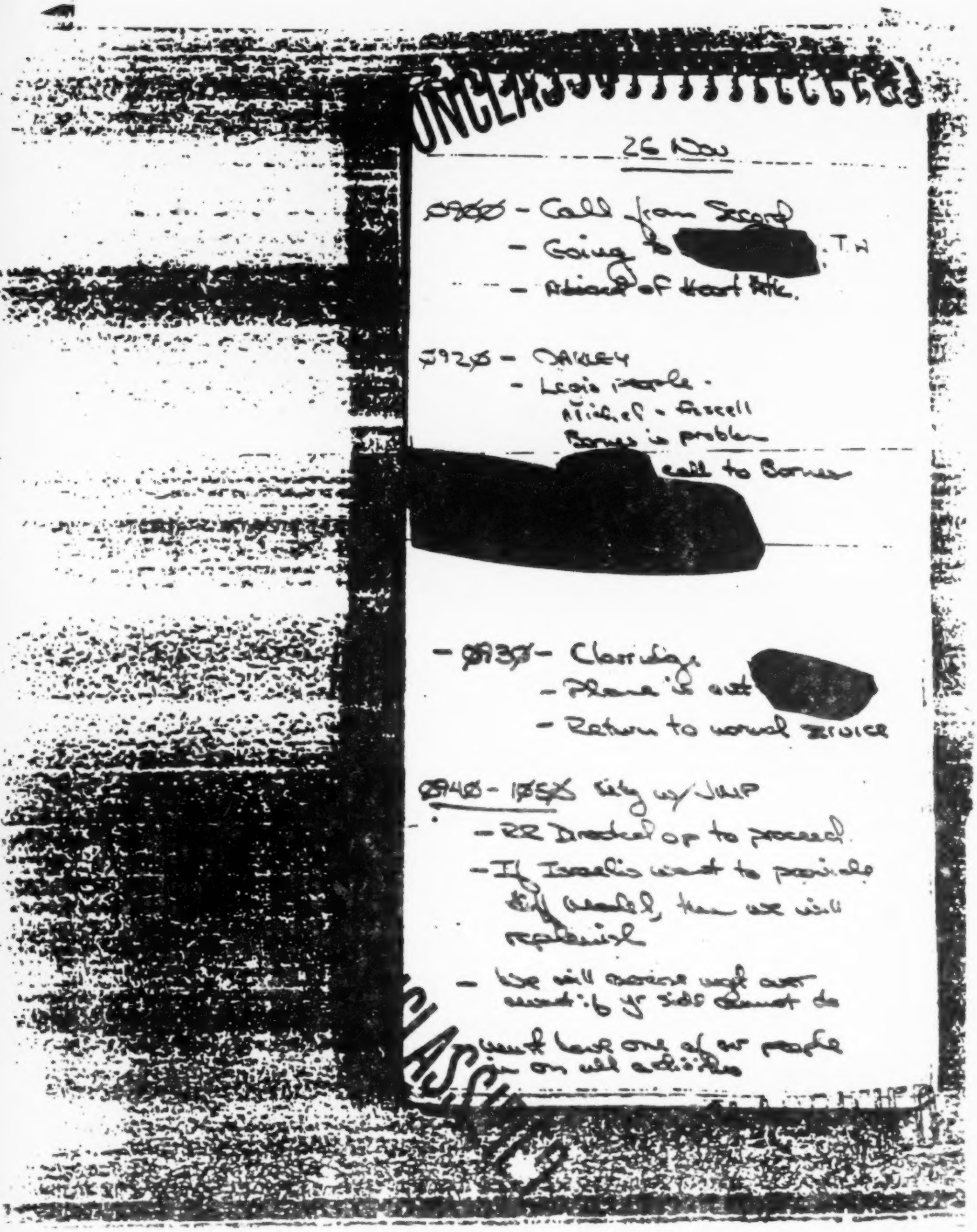
0930 - Clarridge

- Plane is out [redacted]
- Return to normal service

0940 - 1050 Mtg w/JMP

- RR directed OP to proceed
- If Israelis want to provide diff model, then we will replenish
- We will exercise mgt over mvmt if yr side cannot do
- Must have one of our people in on all activities

EXHIBIT
DTR-5



UNCLASSIFIED

26 Nov

0900 - Call from Secord
- Going to [redacted] T.H
- Advised of Hawk Mtg.

0920 - OAKLEY
- Lewis people -
Michel - Fiscell
Barnes is problem

[redacted] call to Barnes

- 0930 - Clarridge
- Plane is out [redacted]
- Return to normal service

0940 - 1050 Mtg w/ JMP
- RR directed op to proceed.
- If Israelis want to provide diff model, then we will replenish
- We will exercise mgt over aircraft if yr side cannot do

want have one of our people in on all activities

Exhibit DTR-6

The Director of Central Intelligence
Washington D C 20505

86-4068M-1

UNCLASSIFIED

26 November 1985

1 0400

MEMORANDUM FOR: Vice Admiral John M. Poindexter, USN
Deputy Assistant to the President
for National Security Affairs

SUBJECT: Presidential Finding on Middle East

Pursuant to our conversation this should go to the President for his signature and should not be passed around in any hands below our level.

WJCasey
William J. Casey

Attachment:
As stated

CL BY 0008074
RVW OADR

[redacted]

527

Partially Declassified/Released on 7 May 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

EXHIBIT
DTR-6

UNCLASSIFIED

Finding Pursuant to Section 662 of the Foreign Assistance Act of 1961, As Amended, Concerning Operations Undertaken by the Central Intelligence Agency in Foreign Countries, Other Than Those Intended Solely for the Purpose of Intelligence Collection

0401

I have been briefed on the efforts being made by private parties to obtain the release of Americans held hostage in the Middle East, and hereby find that the following operations in foreign countries (including all support necessary to such operations) are important to the national security of the United States. Because of the extreme sensitivity of these operations, in the exercise of the President's constitutional authorities, I direct the Director of Central Intelligence not to brief the Congress of the United States, as provided for in Section 501 of the National Security Act of 1947, as amended, until such time as I may direct otherwise.

SCOPE	DESCRIPTION
Hostage Rescue - Middle East	The provision of assistance by the Central Intelligence Agency to private parties in their attempt to obtain the release of Americans held hostage in the Middle East. Such assistance is to include the provision of transportation, communications, and other necessary support. As part of these efforts certain foreign materiel and munitions may be provided to the Government of Iran which is taking steps to facilitate the release of the American hostages. All prior actions taken by U.S. Government officials in furtherance of this effort are hereby ratified.

The White House
Washington, D.C.

Date:

7 May 1987

[redacted]

ER [illegible]
CY ___ OF ___ CYS

EXHIBIT DTR-7

COPY UNCLASSIFIED

THE WHITE HOUSE
WASHINGTON

12/7/85 10 - 11:58a 50271

[redacted]

Regan
McF
JP
McMann
Shultz
Weinbarger

[redacted]

Jan 7. Meeting (Oval Off. & Sit. Rm.)

Dawson - Who the [illegible] were at the Jan 7, meeting.

Sit Room and Oval Office
↓
Dick [illegible] Chief

DONALD T. REGAN
CHIEF OF STAFF

[redacted]

Declassified/Released on 29 Jul 87
under provisions of E.O. 12356
by B. Reger, National Security Council

2876

UNCLASSIFIED

EXHIBIT
DTR-7

EXHIBIT DTR-8

UNCL

C 2865

Finding Pursuant to Section 662 of The Foreign Assistance Act of 1961 As Amended, Concerning Operations Undertaken by the Central Intelligence Agency in Foreign Countries, Other Than Those Intended Solely for the Purpose of Intelligence Collection

I hereby find that the following operation in a foreign untry (including all support necessary to such operation) is portant to the national security of the United States, and rect the Director of Central Intelligence, or his designee, report this finding to the intelligence committees of the ngress pursuant to Section 501 of the National Security Act 1947, as amended, and to provide such briefings as cessary.

SCOPE	DESCRIPTION
Iran	Work with individuals and organizations both within and outside of Iran, and with selected foreign liaison services, and other foreign government entities, to identify, develop and promote the advancement of moderate alternative leaders in Iran. Provide intelligence, counterintelligence, communications assistance and funding to the identified potential alternative leaders to promote the establishment of a more moderate government in Iran and thus reduce the threat of terrorism directed against U.S. persons, property and interests. Protect and support these operations by conducting a program of deception, unilaterally and through third countries, which may include the use of all forms of propaganda. Provide arms, equipment and related materiel to the Government of Iran to assist in its military operations against Iraq in order to encourage to curtailment of terrorist activity directed against U.S. targets and interests. This assistance will be terminated if the U.S. Government learns that this materiel is being used for purposes other than the furthera [illegible] Iran's war effort against Iraq.

UNCLASSIFIED

The White House
Washington, D.C.
Date: 2 January 1986

~~TOP SECRET~~ [redacted]

Executive Registry 32,370

EXHIBIT
DTR-8

1337

EXHIBIT DTR-9

UNCLASSIF[redacted]

~~Finding Pursuant to Section 662 of~~
~~the Foreign Assistance Act of 1961,~~
~~As Amended, Concerning Operations~~
~~Undertaken by the Central Intelligence~~ N 1235
~~Agency in Foreign Countries, Other Than~~
~~Those Intended Solely for the Purpose~~
~~of Intelligence Collection~~

I hereby find that the following operation in a foreign country (including all support necessary to such operation) is important to the national security of the United States, and due to its extreme sensitivity and security risks, I determine it is essential to limit prior notice, and direct the Director of Central Intelligence to refrain from reporting this Finding to the Congress as provided in Section 501 of the National Security Act of 1947, as amended, until I otherwise direct.

SCOPE	DESCRIPTION
Iran	Work with Iranian elements, groups and individuals, selected foreign liaison services and third countries, all of which are sympathetic to U.S. Government interests and which do not conduct or support terrorist actions directed against U.S. persons, property or interests, for the purpose of: (1) establishing a more moderate government in Iran, and (2) obtaining from them significant intelligence not otherwise obtainable, to determine the current Iranian Government's intentions with respect to its neighbors and with respect to terrorist acts. Provide funds, intelligence, counterintelligence, training, guidance and communications assistance to these elements, groups, individuals, liaison services and third countries in support of these activities. The USG will act to facilitate efforts by third parties and third countries to establish contact with moderate elements within and outside the Government of Iran by providing these elements with arms, equipment and related materiel in order to enhance the credibility of these elements in their effort to achieve a more pro-U.S. government in Iran by demonstrating their ability to obtain requisite resources to defend their country against Iraq and intervention by the Soviet Union. This support will be discontinued if the U.S. Government learns that these elements have abandoned their goals of moderating their government and appropriated the materiel for purposes other than that provided by this Finding.

The White House
Washington, D.C.
Date: 3 January 1986

OGCR ~~TS~~-0801-86
copy 1

~~TOP SECRET~~ [redacted]

Partially Declassified/Released on 22 June 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

UNCLASSIFIED

1238

EXHIBIT
DTR-9

EXHIBIT DTR-10

[redacted]

UNCLASSIFIED
DRAFT

Finding Pursuant to Section 662 of
The Foreign Assistance Act of 1961
As Amended, Concerning Operations
Undertaken by the Central Intelligence
Agency in Foreign Countries, Other Than
Those Intended Solely for the Purpose
of Intelligence Collection

0454

I hereby find that the following operation in a foreign country (including all support necessary to such operation) is important to the national security of the United States, [and due to its extreme sensitivity and security risks, I determine it is essential to limit prior notice, and direct the Director of Central Intelligence to refrain from reporting this Finding to the Congress as provided in Section 501 of the National Security Act of 1947, as amended, until I otherwise direct.]

-or-

[and direct the Director of Central Intelligence, or his designee, to report this Finding to the intelligence committees of the Congress pursuant to Section 501 of the National Security Act of 1947, as amended, and to provide such briefings as necessary.]

PE

DESCRIPTION

n Work with Iranian elements, groups and individuals, selected foreign liaison services and third countries, all of which are sympathetic to U.S. Government interests and which do not conduct or support terrorist actions directed against U.S. persons, property or interests, for the purpose of: (1) establishing a more moderate government in Iran, and (2) obtaining from them significant intelligence not otherwise obtainable, to determine the current Iranian Government's intentions with respect to its neighbors and with respect to terrorist acts. Provide funds, intelligence, counterintelligence, training, guidance and communications assistance to these elements, groups, individuals, liaison services and third countries in support of these activities.

Establish contact with the more moderate elements within and outside the Government of Iran to establish their credibility with that Government by the provision of arms, equipment and related materiel to these elements on condition that these materials be limited in their use essentially to the Iran-Iraqi conflict. This assistance will be discontinued if the U.S. Government learns that these elements are misusing or intend to misuse this assistance, for the purpose of reinstituting terrorist actions against U.S. persons, property or interests, or otherwise.

1113

The White House
Washington, D.C.
Date: 3 January 1986

UNCLASSIFIED

OGCR TS 0801-86
~~copy 1~~ copy 2

~~TOP SECRET~~ [redacted]

Partially Declassified/Released on 19 May 1987
under provisions of E.O. 12356
by S. Reger, National Security Council

EXHIBIT
DTR-10

CL BY ~~[illegible]~~
DECL ~~OADR~~

Exhibit DTR-11

Name and Title	Date Initial
The President	
2 John M. Poindexter	
3 Oliver L. North	
4	
5	
6	
✓ ACTION	FILE
APPROVAL	INFORMATION
COMMENT	PREPARE REPLY
CONCURRENCE	RECOMMENDATION
DIRECT REPLY	RETURN
DISPATCH	SIGNATURE
REMARKS	

UNCLASSIFIED ch

N 1248

NSC/ICS CONTROL NO 40011

COPY NO 3A OF

HANDLE VIA SYSTEM IV CHANNEL ONLY

NSC INTELLIGENCE DOCUMENT

Partially Declassified/Released on 23 Jan 1987 under provisions of E.O. 12356 by B. Reger, National Security Council

(1268)

Warning Notice
Intelligence Sources and Methods Involved
NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

EXHIBIT
DTR-11

UNCLASSIFIED

N379
12/1/86
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UNCLASSIFIED

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

SYSTEM II
NSC/ICS-400[illegible]

January 4, 1986

N 1249

~~TOP SECRET~~ [redacted]

ACTION

MEMORANDUM FOR JOHN M. POINDEXTER

FROM: OLIVER L. NORTH

SUBJECT: Covert Action Finding on Iran

Attached at Tab I is a memorandum from you to the President forwarding a Covert Action Finding (Tab A). This Finding is based on our discussions with Nir and my subsequent meeting with CIA General Counsel Stanley Sporkin.

At Sporkin's request, I talked to Bill Casey on secure re the Finding and the overall approach. He indicated that he thought the Finding was good and that this is probably the only approach that will work. He shares our goal of achieving a more moderate government in Iran through this process.

RECOMMENDATION:

That you sign the memorandum to the President at Tab I.

Approve _____ Disapprove _____

Attachments
- Tab I - Poindexter Memo to the President
  - Tab A - Covert Action Finding

Partially Declassified/Released on 23 June 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

1268a

TOP SECRET
~~Declassify on:~~ OADR

UNCLASSIFIED [redacted]

U175
~~A124~~

TAB

I

UNCLASSIFIED

THE WHITE HOUSE

WASHINGTON

SYSTEM IV
NSC/ICS-400[illegible]

Partial
Declassified/Released on 23 June 1987
under provisions of E.O. 12356
By B. Reger, National Security Council

N 1251

~~TOP SECRET~~ [redacted]

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN M. POINDEXTER

SUBJECT: Covert Action Finding Regarding Iran

This week, Prime Minister Peres of Israel secretly dispatched his special advisor on terrorism with instructions to propose a plan by which the U.S. and Israel can act in concert to bring about a more moderate government in Iran. The Israelis are obviously very concerned that the course of the Iran-Iraq war and the potential for further radicalization in Iran pose a significant threat to the security of Israel.

The Israeli plan is premised on the assumption that moderate elements in Iran can come to power if these factions demonstrate their credibility in defending Iran against Iraq and in deterring Soviet intervention. To achieve the strategic goal of a more moderate Iranian government, the Israelis are prepared to unilaterally commence selling military materiel to Western-oriented Iranian factions. It is their belief that by so doing they can achieve a heretofore unobtainable penetration of the Iranian governing heirarchy. The Israelis are convinced that the Iranians are so desperate for military materiel, expertise and intelligence that the provision of these resources will result in favorable long-term changes in personnel and attitudes within the Iranian government. Further, once the exchange relationship has commenced, a dependency would be established on those who are providing the requisite resources, thus allowing the providor(s) to coercively influence near-term events.

As described by the Prime Minister's emissary, the only requirement the Israelis have is an assurance that they will be allowed to purchase U.S. replenishments for the stocks that they sell to Iran. Since the Israeli sales are technically a violation of our Arms Export Control Act embargo for Iran, a [redacted]

UNCLASSIFIED TOP SECRET

[redacted]

UNCLASSIFIED

N. 1252

~~TOP SECRET~~

[redacted]

The Covert Action Finding attached at Tab A provides the latitude for the transactions indicated above to proceed. If this Finding is signed, we would not interfere when the Israelis unilaterally commence sales and deliveries of TOW missiles during January, 1986. We would also be able to legally sell basic TOWs to Israel when they submit purchase orders for replenishing their own stocks. The Iranians have indicated an immediate requirement for 4,000 basic TOW weapons for use in the launchers they already hold. We would be expected to replace the Israeli stocks in less than 30 days. 4,000 missiles represent 1/3 of all available TOWs in Israel.

The Israelis and the Iranians with whom they are in contact agree that the continued holding of the five American hostages in Beirut will be immediately solved through commencement of this action. Prime Minister Peres had his emissary pointedly note that they well understand our position on making concessions to terrorists. They also point out, however, that terrorist groups, movements, and organizations are significantly easier to influence through governments than they are by direct approach. In that we have been unable exercise any suasion over Hizballah during the course of nearly two years of kidnappings, this approach through the government of Iran may well be our only way to achieve the release of the Americans held in Beirut. It must again be noted that since this dialogue with the Iranians began in September, Reverend Weir has been released and there have been no Shia terrorist attacks against American or Israeli persons, property, or interests.

The Israelis have asked for our urgent response to this proposal so that they can plan accordingly. They note that the current crisis in the Middle East provides a rationale for a significant purchase of TOWs and expedited delivery on our part. In order to provide an answer to Prime Minister Peres, the Finding at Tab A should be discussed privately with Secretaries Shultz, Weinberger, Director Casey and Attorney General Meese. If, based on their input, you decide to proceed, the Finding should be signed and held.

Recommendation:

OK ____ No ____ That you agree to meet with Secretaries Shultz and Weinberger, Director Casey and Attorney General Meese on this matter as soon as possible.

Attachment
Tab A - Cover[illegible]

Prep[illegible] by:
Ol[illegible] No[illegible]h

UNCLASSIFIED
TOP SECRET

N 1253

UNCLASSIFIED

[redacted]

N 1254

Finding Pursuant to Section 662 of The Foreign Assistance Act of 1961 As Amended, Concerning Operations Undertaken by the Central Intelligence Agency in Foreign Countries, Other Than Those Intended Solely for the Purpose of Intelligence Collection

I hereby find that the following operation in a foreign country (including all support necessary to such operation) is important to the national security of the United States, and due to its extreme sensitivity and security risks, I determine it is essential to limit prior notice, and direct the Director of Central Intelligence to refrain from reporting this Finding to the Congress as provided in Section 501 of the National Security Act of 1947, as amended, until I otherwise direct.

SCOPE	DESCRIPTION
Iran	Work with Iranian elements, groups and individuals, selected foreign liaison services and third countries, all of which are sympathetic to U.S. Government interests and which do not conduct or support terrorist actions directed against U.S. persons, property or interests, for the purpose of: (1) establishing a more moderate government in Iran, and (2) obtaining from them significant intelligence not otherwise obtainable, to determine the current Iranian Government's intentions with respect to its neighbors and with respect to terrorist acts. Provide funds, intelligence, counterintelligence, training, guidance and communications assistance to these elements, groups, individuals, liaison services and third countries in support of these activities. The USG will act to facilitate efforts by third parties and third countries to establish contact with moderate elements within and outside the Government of Iran by providing these elements with arms, equipment and related materiel in order to enhance the credibility of these elements in their effort to achieve a more pro-U.S. government in Iran by demonstrating their ability to obtain requisite resources to defend their country against Iraq and intervention by the Soviet Union. This support will be discontinued if the U.S. Government learns that these elements have abandoned their goals of moderating their government and appropriated the materiel for purposes other than that provided by this Finding.

Partially Declassified/Released on 23 June 1987
under provisions of E.O. 12356
by [illegible] Reger, National Security Council

The White House

[redacted]

UNCLASSIFIED

EXHIBIT DTR-12

~~TOP SECRET~~

THE WHITE HOUSE

WASHINGTON

UNCLASSIFIED

SYSTEM IV
NSC/ICS-40011

N 1323

[redacted]

[redacted]

EXHIBIT
DTR-12

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN M. POINDEXTER

SUBJECT: Covert Action Finding regarding Iran

This week, Prime Minister Peres of Israel secretly dispatched his special advisor on terrorism with instructions to propose a plan by which Israel, with limited assistance from the U.S., can act to bring about a more moderate government in Iran. The Israelis are very concerned that Iran's deteriorating position in the war with Iraq, the potential for further radicalization in Iran, and the possibility of enhanced Soviet influence in the Gulf all pose significant threats to the security of Israel. They believe it is essential that they act to at least preserve a balance of power in the region.

The Israeli plan is premised on the assumption that moderate elements in Iran can come to power if these factions demonstrate their credibility in defending Iran against Iraq and in deterring Soviet intervention. To achieve the strategic goal of a more moderate Iranian government, the Israelis are prepared to unilaterally commence selling military materiel to Western-oriented Iranian factions. It is their belief that by so doing they can achieve a heretofore unobtainable penetration of the Iranian governing heirarchy. The Israelis are convinced that the Iranians are so desperate for military materiel, expertise and intelligence that the provision of these resources will result in favorable long-term changes in personnel and attitudes within the Iranian government. Further, once the exchange relationship has commenced, a dependency would be established on those who are providing the requisite resources, thus allowing the providor(s) to coercively influence near-term events. Such an outcome is consistent with our policy objectives and would present significant advantages for U.S. national interests.

As described by the Prime Minister's emissary, the only requirement the Israelis have is an assurance that they will be allowed to purchase U.S. replenishments for the stocks that they sell to Iran. A Presidential Covert Action Finding is required in order for us to allow the Israeli transfers to proceed, for our subsequent replenishment sales to Israel, or for other assistance which may be deemed appropriate (e.g., intelligence)

528

[redacted]

Declassify on: OADR [redacted] [redacted]

[illegible] on 7 May 1987
E.O. 12356

The Covert Action Finding attached at Tab A provides the lattitude for the transactions indicated above to proceed. If this Finding is signed, we would not interfere when the Israelis unilaterally commence sales and deliveries of TOW missiles during January, 1986. The Finding also authorizes U.S. sales of basic TOWs to Israel when they submit purchase orders for replenishing their own stocks. The Iranians have indicated an immediate requirement for 4,000 basic TOW weapons for use in the launchers they already hold. We would be expected to replace the Israeli stocks in less than 30 days. 4,000 missiles represent 1/3 of all available TOWs in Israel.

The Israelis are sensitive to a strong U.S. desire to free our Beirut hostages and have insisted that the Iranians demonstrate both influence and good intent by an early release of the five Americans. Both sides have agreed that the hostages will be immediately released upon commencement of this action. Prime Minister Peres had his emissary pointedly note that they well understand our position on not making concessions to terrorists. They also point out, however, that terrorist groups, movements, and organizations are significantly easier to influence through governments than they are by direct approach. In that we have been unable to exercise any suasion over Hizballah during the course of nearly two years of kidnappings, this approach through the government of Iran may well be our only way to achieve the release of the Americans held in Beirut. It must again be noted that since this dialogue with the Iranians began in September, Reverend Weir has been released and there have been no Shia terrorist attacks against American or Israeli persons, property, or interests.

The Israelis have asked for our urgent response to this proposal so that they can plan accordingly. They note that conditions inside both Iran and Lebanon are highly violatile and that the current crisis in the Middle East provides a rationale for a significant Israeli purchase of TOWs and expedited delivery on our part. The Israelis are cognizant that this entire operation will be terminated if the Iranians abandon their goal of moderating their government or allow further acts of terrorism. In order to provide an answer to Prime Minister Peres, the Finding at Tab A should be discussed with Secretaries Shultz and Weinberger, Director Casey, and Attorney General Meese. If, based on their input, you decide to proceed, the Finding should be signed. Because of the extreme sensitivity of this project, it is recommended that you exercise your constitutional perogative to withhold notification of the Finding to the Congressional oversight committees until such time that you deem it to be appropriate.

UNCLASSIFIED

[redacted] [redacted] [redacted]

Partially Declassified/Released on 7 May [illegible]
under provisions of E.O. 12356

[redacted] 3 [redacted]

UNCLASSIFIED N 1325

Recommendation

OK No

____ ____ That you agree to meet with Secretaries Shultz and Weinberger, Director Casey, and Attorney General Meese on this matter as soon as possible.

Prepared by:
Oliver L. North

Attachment
Tab A - Covert Action Finding

UNCLASSIFIED

Partially Declassified/Released on 7 May 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

[redacted] [redacted] [redacted]

[redacted]

UNCLASSIFIED

N 1326

~~Finding Pursuant to Section 662 of The Foreign Assistance Act of 1961 As Amended, Concerning Operations Undertaken by the Central Intelligence Agency in Foreign Countries, Other Than Those Intended Solely for the Purpose of Intelligence Collection~~

I hereby find that the following operation in a foreign country (including all support necessary to such operation) is important to the national security of the United States, and due to its extreme sensitivity and security risks, I determine it is essential to limit prior notice, and direct the Director of Central Intelligence to refrain from reporting this Finding to the Congress as provided in Section 501 of the National Security Act of 1947, as amended, until I otherwise direct.

SCOPE	DESCRIPTION
Iran	Assist selected friendly foreign liaison services and third countries, which have established relationships with Iranian elements, groups, and individuals sympathetic to U.S. Government interests and which do not conduct or support terrorist actions directed against U.S. persons, property or interests, for the purpose of: (1) establishing a more moderate government in Iran, (2) obtaining from them significant intelligence not otherwise obtainable, to determine the current Iranian Government's intentions with respect to its neighbors and with respect to terrorist acts, and (3) furthering the release of the American hostages held in Beirut and preventing additional terrorist acts by these groups. Provide funds, intelligence, counter-intelligence, training, guidance and communications and other necessary assistance to these elements, groups, individuals, liaison services and third countries in support of these activities.
	The USG will act to facilitate efforts by third parties and third countries to establish contact with moderate elements within and outside the Government of Iran by providing these elements with arms, equipment and related materiel in order to enhance the credibility of these elements in their effort to achieve a more pro-U.S. government in Iran by demonstrating their ability to obtain requisite resources to defend their country against Iraq and intervention by the Soviet Union. This support will be discontinued if the U.S. Government learns that these elements have abandoned their goals of moderating their government and appropriated the materiel for purposes other than that provided by this Finding.

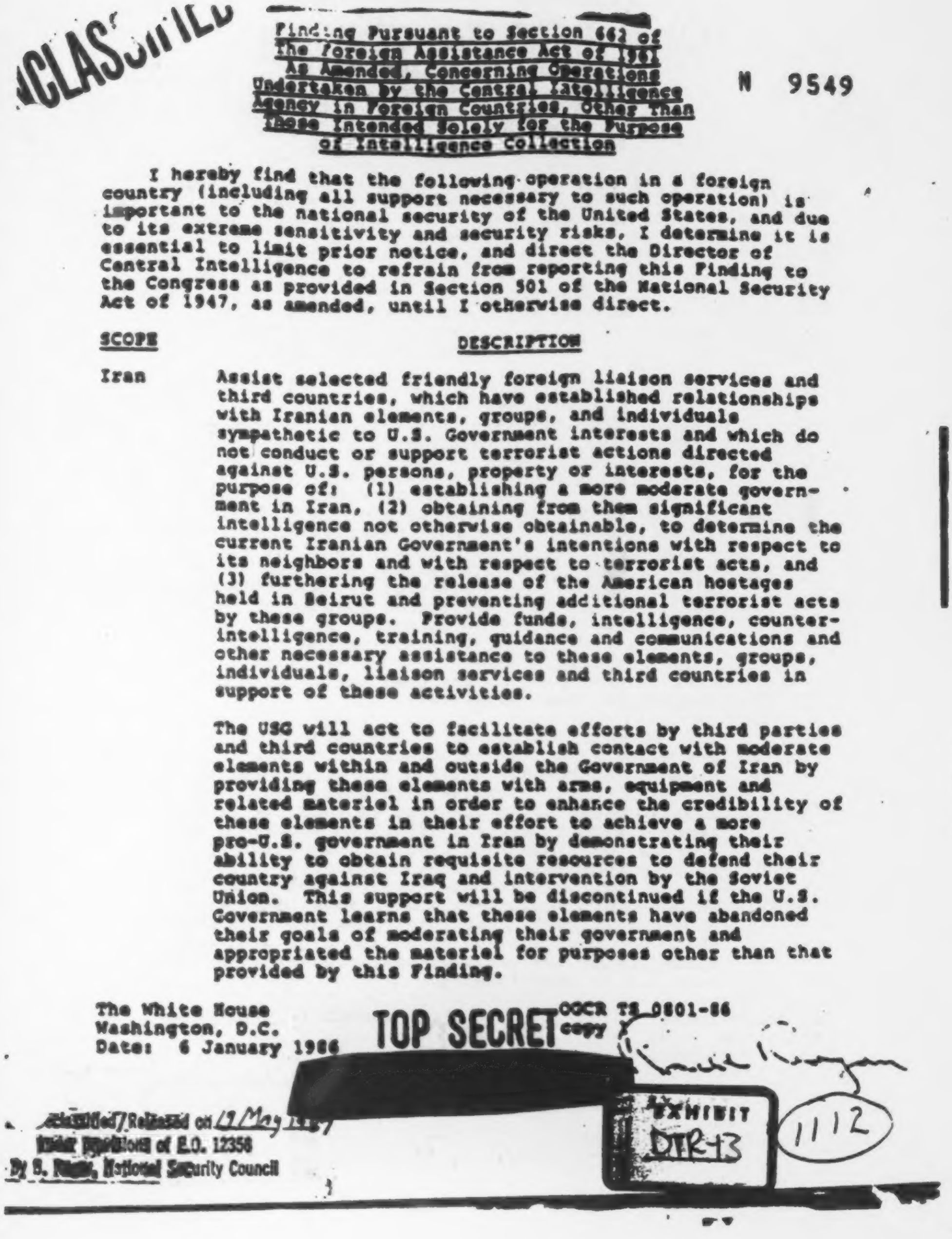
The White House
Washington, D.C.
Date: 6 January 1986

~~TOP SECRET~~

OGCR TS 0801-86
copy 1

7 May 1987 [redacted]

EXHIBIT DTR-13



UNCLASSIFIED

~~Finding Pursuant to Section 662 of~~
~~The Foreign Assistance Act of 1961~~
~~As Amended, Concerning Operations~~
~~Undertaken by the Central Intelligence~~
~~Agency in Foreign Countries, Other Than~~
~~Those Intended Solely for the Purpose~~
~~of Intelligence Collection~~

N 9549

I hereby find that the following operation in a foreign country (including all support necessary to such operation) is important to the national security of the United States, and due to its extreme sensitivity and security risks, I determine it is essential to limit prior notice, and direct the Director of Central Intelligence to refrain from reporting this Finding to the Congress as provided in Section 501 of the National Security Act of 1947, as amended, until I otherwise direct.

SCOPE	DESCRIPTION
Iran	Assist selected friendly foreign liaison services and third countries, which have established relationships with Iranian elements, groups, and individuals sympathetic to U.S. Government interests and which do not conduct or support terrorist actions directed against U.S. persons, property or interests, for the purpose of: (1) establishing a more moderate government in Iran, (2) obtaining from them significant intelligence not otherwise obtainable, to determine the current Iranian Government's intentions with respect to its neighbors and with respect to terrorist acts, and (3) furthering the release of the American hostages held in Beirut and preventing additional terrorist acts by these groups. Provide funds, intelligence, counterintelligence, training, guidance and communications and other necessary assistance to these elements, groups, individuals, liaison services and third countries in support of these activities.
	The USG will act to facilitate efforts by third parties and third countries to establish contact with moderate elements within and outside the Government of Iran by providing these elements with arms, equipment and related materiel in order to enhance the credibility of these elements in their effort to achieve a more pro-U.S. government in Iran by demonstrating their ability to obtain requisite resources to defend their country against Iraq and intervention by the Soviet Union. This support will be discontinued if the U.S. Government learns that these elements have abandoned their goals of moderating their government and appropriated the materiel for purposes other than that provided by this Finding.

The White House
Washington, D.C.
Date: 6 January 1986

TOP SECRET

OOCR TS 0801-86
copy 1

Ronald Reagan

[redacted]

Declassified/Released on 19 May 1987
under provisions of E.O. 12356
By B. [illegible], National Security Council

EXHIBIT
DTR-13

1112

EXHIBIT DTR-14

[redacted]

UNCLASSIFIED

#559 11..

N 23723

Finding Pursuant to Section 662 of The Foreign Assistance Act of 1961 As Amended, Concerning Operations Undertaken by the Central Intelligence Agency in Foreign Countries, Other Than Those Intended Solely for the Purpose of Intelligence Collection

I hereby find that the following operation in a foreign country (including all support necessary to such operation) is important to the national security of the United States, and due to its extreme sensitivity and security risks, I determine it is essential to limit prior notice, and direct the Director of Central Intelligence to refrain from reporting this Finding to the Congress as provided in Section 501 of the National Security Act of 1947, as amended, until I otherwise direct.

and third parties

SCOPE	**DESCRIPTION**
Iran	Assist selected friendly foreign liaison services and third countries, which have established relationships with Iranian elements, groups, and individuals sympathetic to U.S. Government interests and which do not conduct or support terrorist actions directed against U.S. persons, property or interests, for the purpose of: (1) establishing a more moderate government in Iran, (2) obtaining from them significant intelligence not otherwise obtainable, to determine the current Iranian Government's intentions with respect to its neighbors and with respect to terrorist acts, and (3) furthering the release of the American hostages held in Beirut and preventing additional terrorist acts by these groups. Provide funds, intelligence, counterintelligence, training, guidance and communications and other necessary assistance to these elements, groups, individuals, liaison services and third countries in support of these activities. The USG will act to facilitate efforts by third parties and third countries to establish contact with moderate elements within and outside the Government of Iran by providing these elements with arms, equipment and related materiel in order to enhance the credibility of these elements in their effort to achieve a more pro-U.S. government in Iran by demonstrating their ability to obtain requisite resources to defend their country against Iraq and intervention by the Soviet Union. This support will be discontinued if the U.S. Government learns that these elements have abandoned their goals of moderating their government and appropriated the materiel for purposes other than that provided by this Finding.

The White House
Washington, D.C.
Date: 6 January 1986

TOP SECRET

OGCR TS 0801-86
Copy

Ronald Reagan

[redacted]

EXHIBIT
DTR-14

002

[illegible] Declassified/Released on [illegible]

EXHIBIT DTR-15

[illegible]

UNCLASSIFIED

THE WHITE HOUSE
WASHINGTON

January 10, 1986

N 22736

DONALD T. REGAN:

Attached is the material on Central America that Dave Fischer promised to get to you. I am discussing this with the NSC to be sure they are on board and supportive. Dave thought you would be interested in seeing the 4 minutes of their commercials so a video tape is attached. Dave is hopeful that a Roosevelt Room briefing can be arranged (with a Presidential drop by) so that this group can be helpful in the upcoming legislative effort.

Approve briefing subject to full verification (time to be determined) ______

Need more info before discussing ______

David
David Chew

EXHIBIT
DTR-15

2873

[redacted]/Released on 29 Jul 87
under provisions of E.O. 12356
by B. Reger, National Security Council

UNCLASSIFIED

N 22737

MEMORANDUM TO DONALD REGAN

FROM: David C. Fischer DCF

SUBJECT: Aid to Contras Meeting

DATE: 5 January 1986

Attached is the briefing paper for the proposed aid to the Contras meeting. No private group of Americans have better supported the President's Central America program as well as other issues critical to Ronald Reagan. Their efforts resulted in highly effective network television and newspaper messages. Transcripts of a few television spots are attached. A compilation of all 15 and 30 second television spots is available on video cassette tape.

My conversations with Bud McFarlane, Oliver North and Assistant Secretary Elliott Abrahms confirm my belief that this meeting is in the President's best interest and will greatly enhance his efforts in educating Americans and their elected representatives on Capital Hill. Time is critical. The meeting should be held in January thus enabling this group to mobilize their efforts as quickly and effectively as possible.

Once these men and women realize the President recognizes and appreciates their contribution towards his programs their continued enthusiastic support will be guaranteed.

A ten day notification period is needed to insure good attendance at this briefing. The names and accompanying required information have been given to the Secret Service for background checks.

2874

UNCLASSIFIED

[redacted]/Released on 29 Jul 87
under provisions of E.O. 12356
by B. Reger, National Security Council

UNCLASSIFIED

MEETING WITH SUPPORTERS OF THE CENTRAL AMERICAN FREEDOM PROGRAM

January __, 1986
Roosevelt Room
Approx: 4:30 pm

N 22738

PURPOSE

The American Conservative Trust and The National Endowment for the Preservation of Liberty have sponsored several programs in support of the President's policies including S.D.I., Central America and Arms Control. This briefing is for the principal financial contributors whose patriotism and generosity have made these public education programs so successful and influential.

BACKGROUND

In 1985 ACT & NEPL spent in excess of $3 million in supporting the President's programs through public awareness using television and newspaper messages. Their Central American Freedom Program was initiated in June. White House contacts with Oliver North, NSC, and Linda Chavez resulted in three White House sponsored briefings held in the EOB on June 21, October 17 and November 21. A representative of ACT & NEPL was invited to a Presidential S.D.I. Cabinet Room briefing where the President acknowledged viewing their S.D.I. program's network television message. A post Geneva tribute to the President was also aired on all network affiliates.

This group has budgeted $3 million for educating public opinion on the issue of aid to the contras over the first few months of 1986. The purpose of this briefing is to: (1) provide current status report on the situation in Nicaragua; (2) recognize and express gratitude for their efforts in supporting the President; (3) encourage continuance of their generosity in funding these worthwhile projects.

PARTICIPANTS

Approximately 30 supporters and four staff members.

PRESS PLAN

White House photographer only.

SEQUENCE OF EVENTS

--Greeting by Chief of Staff Don Regan

--Briefing by Admiral Poindexter & Oliver North

--Briefing by Assistant Secretary Elliott Abrahms

--5 minute drop-by of the President

2875

UNCLASSIFIED

EXHIBIT DTR-16

#49

N 10046

THE WHITE HOUSE
WASHINGTON

January 17, 1986

EXHIBIT
DTR-16

~~TOP SECRET~~

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN M. POINDEXTER JP

SUBJECT: Covert Action Finding Regarding Iran

Prime Minister Peres of Israel secretly dispatched his special advisor on terrorism with instructions to propose a plan by which Israel, with limited assistance from the U.S., can create conditions to help bring about a more moderate government in Iran. The Israelis are very concerned that Iran's deteriorating position in the war with Iraq, the potential for further radicalization in Iran, and the possibility of enhanced Soviet influence in the Gulf all pose significant threats to the security of Israel. They believe it is essential that they act to at least preserve a balance of power in the region.

The Israeli plan is premised on the assumption that moderate elements in Iran can come to power if these factions demonstrate their credibility in defending Iran against Iraq and in deterring Soviet intervention. To achieve the strategic goal of a more moderate Iranian government, the Israelis are prepared to unilaterally commence selling military materiel to Western-oriented Iranian factions. It is their belief that by so doing they can achieve a heretofore unobtainable penetration of the Iranian governing hierarchy. The Israelis are convinced that the Iranians are so desperate for military materiel, expertise and intelligence that the provision of these resources will result in favorable long-term changes in personnel and attitudes within the Iranian government. Further, once the exchange relationship has commenced, a dependency would be established on those who are providing the requisite resources, thus allowing the provider(s) to coercively influence near-term events. Such an outcome is consistent with our policy objectives and would present significant advantages for U.S. national interests. As described by the Prime Minister's emissary, the only requirement the Israelis have is an assurance that they will be allowed to purchase U.S. replenishments for the stocks that they sell to Iran. We have researched the legal problems of Israel's selling U.S. manufactured arms to Iran. Because of the requirement in U.S. law for recipients of U.S. arms to notify the U.S. government of transfers to third countries, I do not recommend that you agree with the specific details of the Israeli plan. However, there is another possibility. Some time ago Attorney

RECEIVED 173

NOV 29 1986

Copy is Receipt

~~TOP SECRET~~
Declassify on: OADR

(full text released) 4 May 87

TOP SECRET

General William French Smith determined that under an appropriate finding you could authorize the CIA to sell arms to countries outside of the provisions of the laws and reporting requirements for foreign military sales. The objectives of the Israeli plan could be met if the CIA, using an authorized agent as necessary, purchased arms from the Department of Defense under the Economy Act and then transferred them to Iran directly after receiving appropriate payment from Iran.

The Covert Action Finding attached at Tab A provides the latitude for the transactions indicated above to proceed. The Iranians have indicated an immediate requirement for 4,000 basic TOW weapons for use in the launchers they already hold.

The Israeli's are also sensitive to a strong U.S. desire to free our Beirut hostages and have insisted that the Iranians demonstrate both influence and good intent by an early release of the five Americans. Both sides have agreed that the hostages will be immediately released upon commencement of this action. Prime Minister Peres had his emissary pointedly note that they well understand our position on not making concessions to terrorists. They also point out, however, that terrorist groups, movements, and organizations are significantly easier to influence through governments than they are by direct approach. In that we have been unable to exercise any suasion over Hizballah during the course of nearly two years of kidnappings, this approach through the government of Iran may well be our only way to achieve the release of the Americans held in Beirut. It must again be noted that since this dialogue with the Iranians began in September, Reverend Weir has been released and there have been no Shia terrorist attacks against American or Israeli persons, property, or interests.

Therefore it is proposed that Israel make the necessary arrangements for the sale of 4000 TOW weapons to Iran. Sufficient funds to cover the sale would be transferred to an agent of the CIA. The CIA would then purchase the weapons from the Department of Defense and deliver the weapons to Iran through the agent. If all of the hostages are not released after the first shipment of 1000 weapons, further transfers would cease.

On the other hand, since hostage release is in some respects a byproduct of a larger effort to develop ties to potentially moderate forces in Iran, you may wish to redirect such transfers to other groups within the government at a later time.

The Israelis have asked for our urgent response to this proposal so that they can plan accordingly. They note that conditions inside both Iran and Lebanon are highly volatile. The Israelis are cognizant that this entire operation will be terminated if the Iranians abandon their goal of moderating their government or allow further acts of terrorism. You have discussed the general outlines of the Israeli plan with Secretaries Shultz and Weinberger, Attorney General Meese and Director Casey. The Secretaries do not recommend you proceed with this plan. Attorney General Meese and Director Casey believe the short-term and long-term objectives of the plan warrant the policy risks involved and recommend you approve the attached Finding. Because of the extreme sensitivity of this project, it is recommended that you exercise your statutory prerogative to withhold notification of the Finding to the Congressional oversight committees until such time that you deem it to be appropriate.

Recommendation

OK	NO	
RB	___	That you sign the attached Finding.

JP

Prepared by:
Oliver L. North

Attachment
Tab A - Covert Action Finding

1000 17 Jan 8

President was briefed verbally from this paper. VP, Don Regan and Don Fortier were present.

JP

Exhibit DTR-17

[redacted]

N 9402

Finding Pursuant to Section 662 of The Foreign Assistance Act of 1961 As Amended, Concerning Operations Undertaken by the Central Intelligence Agency in Foreign Countries, Other Than Those Intended Solely for the Purpose of Intelligence Collection

I hereby find that the following operation in a foreign country (including all support necessary to such operation) is important to the national security of the United States, and due to its extreme sensitivity and security risks, I determine it is essential to limit prior notice, and direct the Director of Central Intelligence to refrain from reporting this Finding to the Congress as provided in Section 501 of the National Security Act of 1947, as amended, until I otherwise direct.

SCOPE	**DESCRIPTION**
Iran	Assist selected friendly foreign liaison services, third countries and third parties which have established relationships with Iranian elements, groups, and individuals sympathetic to U.S. Government interests and which do not conduct or support terrorist actions directed against U.S. persons, property or interests, for the purpose of: (1) establishing a more moderate government in Iran, (2) obtaining from them significant intelligence not otherwise obtainable, to determine the current Iranian Government's intentions with respect to its neighbors and with respect to terrorist acts, and (3) furthering the release of the American hostages held in Beirut and preventing additional terrorist acts by these groups. Provide funds, intelligence, counter-intelligence, training, guidance and communications and other necessary assistance to these elements, groups, individuals, liaison services and third countries in support of these activities. The USG will act to facilitate efforts by third parties and third countries to establish contact with moderate elements within and outside the Government of Iran by providing these elements with arms, equipment and related materiel in order to enhance the credibility of these elements in their effort to achieve a more pro-U.S. government in Iran by demonstrating their ability to obtain requisite resources to defend their country against Iraq and intervention by the Soviet Union. This support will be discontinued if the U.S. Government learns that these elements have abandoned their goals of moderating their government and appropriated the materiel for purposes other than that provided by this Finding.

Ronald Reagan

The White House
Washington, D.C.
Date January 17, 1986

OGCR TS 0801-86
Copy 1

[redacted]

EXHIBIT
DTR-17

EXHIBIT DTR-18

UNCLASSIFIED ~~SENSITIVE~~

1000 1/17/86

N 7838

- HOSTAGES
  - ISRAEL TO IRAN REPEATING [illegible]
  - NEW PLAN
    - SMITH DETERMINATION
    - 1000 WILL SCD
    - DOWNSIDE
  - NEW FINDING
    - MEESE & CASEY APPROVE
    - SHULTZ & WEINBERGER STILL RECOMMEND AGAINST

P100 12/16/86

non relevant material

deleted from this section

12.30.86
VML

827

EXHIBIT
DTR-18

UNCLASSIFIED

EXHIBIT DTR-19

FILE: NOTE [redacted] AE WHITE HOUSE COMMUNICATIONS AGENCY UNCLASSIFIED PPNA

EXHIBIT DTR-19

N 12120

NOTE FROM: OLIVER NORTH
Subject: How are things?
Just returned last night from mtg w/ to Frankfurt. If nothing else the meeting serves to emphasize the need for direct contact with these people rather than continue the process by which we deal through intermediaries like Gorbanifahr. Because CIA wd not provide a translator for the sessions, we used Albert Hakim, an AMCIT who runs the European operation for our Nicaraguan resistance support activity. [redacted] accompanied so that I wd have someone along who wd provide an "objective" account.

Throughout the session, Gorbanifahr intentionally distorted much of the translation and had to be corrected by our man on occasions so numerous that finally had Albert translate both ways. Assessment of mtg & agreement as reached as follows: has authority to make his own decisions on matters of great import. --He does not have to check back w/ Tehran on decisions take. --The govt. of Iran is terrified of a new Soviet threat. --They are seeking a rapprochement but are filled w/ fear & distrust. --All hostages will be released during rpt during the next meeting. --They want next mtg urgently and have suggested Qum Is. off Bandar Abbas. --They are less interested in Iran/Iraq war than we originally believed. --They want technical advice more than arms or intelligence. --Tech advice shd be on commercial & military maintenance - not mil tactics --They committed to end anti-U.S. terrorism. --They noted the problems of working thru intermediaries & prefer dir. contact /noted that this was first USG/GOI contact in more than 5yrs. --Important recognizes risks to both sides -- noted need for secrecy. stressed that there were not Sov. moves/threats that we were unaware of. While all of this could be so much smoke, I believe that we may well be on the verge of a major breakthrough - not only on the hostages/terrorism but on the relationship as a whole. We need only to go to this meeting which has no agenda other than to listen to each other to release the hostages and start the process. Have briefed both JMP and Casey -- neither very enthusiastic despite North summary along lines above. Believe that you shd be chartered to go early next wk - or maybe this weekend - but don't know how to make this happen. Have not told JMP that this note is being sent. Help. Pls call on secure at earliest convenience. Warm, but fatigued regards, North

2 How are things?
MSG FROM: NSOLN --CPUA TO: NSRCM --CPUA 02/27/86 20:11:59
To: NSRCM --CPUA

*** Reply to note of 02/27/86 16:03

-- ~~SECRET~~ --

Partially Declassified/Released on 5/6/87
under provisions of E.O. 12356
by J. Reger, National Security Council

NOTE FROM: OLIVER NORTH
Subject: [illegible]
Since the missive of this morning, met w/ Casey, JMP, [redacted] Clair George and all have now agreed to press on. Believe we are indeed headed in the right direction. Just finished lengthy session w/ JMP he indicated that he has passed substance to you and has given us dates that you are not avail.

Will endeavor to sched. mtg so that these do not conflict but noted to JMP that it was their call as to date of mtg. Just rec'd msg fm Gorba via secure device we are using, has again reaffirmed that once we have set a date we shall have a very pleasant surprise. Dick & I believe that they may be preparing to release one of the hostages early. Dick also indicated that yr counterpart at the mtg wd be Rafsanjani. Nice crowd you run with! God willing

UNCLASSIFIED

103

FILE: NOTF [redacted] [illegible] COMMUNICATIONS [illegible] UNCLASSIFIED PAGE 007

Shultz will buy onto this tomorrow when JMP briefs him. With the grace of the good Lord and a little more hard work we will very soon have five AMCITS home and be on our way to a much more positive relationship than one which barters TOWs for lives.

N 12121

I value our friendship and confidences very highly and did not mean to infer that you had revealed these exchanges. By asking that you not indicate same to JMP I was only informing that I had not told him anything of it so as not to compromise myself at a point in time when he needs to be absolutely certain that this can work. He is, as only you can know, under tremendous pressure on this matter and very concerned that it go according to plan. My part in this was easy compared to his. I only had to deal with our enemies. He has to deal with the cabinet. Many thanks for yr trust. Warm regards, North

Exchanges 0

MSG FROM: NSOLN --CPUA TO: NSRCM --CPUA 02/27/86 20:22:22
To: NSRCM --CPUB

*** Reply to note of 02/27/86 16:02

Partially Declassified/Released on 5/6/87
under provisions of E.O. 12356
by J. Reger, National Security Council

-- ~~SECRET~~ --

NOTE FROM: OLIVER NORTH
Subject: How are things?
Am reading things out of sequence due to fatigue. Many thanks for yr note. Have responded to most of this in my reply re exchanges - before I read this one. Yr concerns re Mike are shared here. WILCO re the passing of info. He means well but poses a significant problem. CIA says he has info that Mike has a financial relationship w/ Gorba, Nimrodi and perhaps Schwimmer. If true, this is not good. We also know that Gorba tells Mike everything and that is an additional reason to get Gorba out of the long range picture ASAP. We will still need to have him involved in the TOWs transactions since he manages the financial end for the Israelis Europe. We ought to sit quietly and think about how we handle Mike so that he does not start talking out of disgruntledness (if that's a word). Have asked JMP for a meeting w/ you and Dick Secord as soon as possible after Dick returns tomorrow night fm CA where he is setting up an arms delivery for the Nic resistance. A man of many talents ol' Secord is. Must be off. Am supposed to make a speech on aiding the Nic resistance to a group of supporters. Best regards, North

How are things? 0

[redacted]

[redacted]

-- SECRET --

[redacted]

UNCLASSIFIED

404

EXHIBIT DTR-20

From: NSRCM --CPUA Date and time 02/27/86 21:37:48
To: NSOLN --CPUA

*** Reply to note of 02/27/86 20:11

1363

UNCLASSIFIED N 41077

NOTE FROM: ROBERT MCFARLANE
Subject: Exchanges
No sweat GI. I just sent a seperate note about not shar9ing with John because I had forgotten to put it in the other note. And I fully understand the narrow path he is trying to walk between those who want to go balls out for the wrong reasons (Regan) and those who don't want to do it at all (GPS and Cap). So play
it any way you must. As for my commitments don't worry about them; set it up any way you wish that it works for them. I only mentioned it to John to ask that he try to give me a heads up soon so that I can cancel--which I am glad to do--with some grace.

1205

Declassified/Released on 22 June 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

EXHIBIT
DTR-20

UNCLASSIFIED

OLNOOP Box 25-5
ADG 4/2/87

EXHIBIT DTR-21

UNCLASSIFIED

THE WHITE HOUSE
WASHINGTON

[illegible]

April 4, 1986

N 13626

MEMORANDUM FOR DONALD T. REGAN

THROUGH: ALFRED H. KINGON

FROM: EDWARD J. STUCKY

SUBJECT: Mr. Golitschek

Willy von Raab called to tell me that he understood you had an interest in a case being tried in the Western District of New York involving a Mr. Golitschek, who was accused of violating the Arms Export Control Act.

On March 31, 1986, Mr. Golitschek was sentenced to 3½ years for wire fraud and conspiracy to violate the Arms Export Control Act. He apparently was trying to ship 10 Cobra helicopters to Iran.

If you want more information on the case, Willy will be happy to send you a report.

2854

EXHIBIT
DTR-21

Declassified / Released on 29 Jul 87
under provisions of E.O. 12356
By B. Reger, National Security Council

UNCLASSIFIED

COPY from OA

THE WHITE HOUSE
WASHINGTON

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LE
CLC71

April 4, 1986

MEMORANDUM FOR DONALD T. REGAN

N 13627

THROUGH: ALFRED H. KINGON

FROM: EDWARD J. STUCKY

SUBJECT: Mr. Golitschek

Willy von Raab called to tell me that he understood you had an interest in a case being tried in the Western District of New York involving a Mr. Golitschek, who was accused of violating the Arms Export Control Act.

On March 31, 1986, Mr. Golitschek was sentenced to 3½ years for wire fraud and conspiracy to violate the Arms Export Control Act. He apparently was trying to ship 10 Cobra helicopters to Iran.

If you want more information on the case, Willy will be happy to send you a report.

NOTED BY DTR

2/4/86

Declassified/Released on 29 Jul 87
under provisions of E.O. 12356
By B. Reger, National Security Council

2885

UNCLASSIFIED

EXHIBIT DTR-22

[illegible]

IRAN

N 7514

EXHIBIT
DTR-22

4 May 87

~~TOP SECRET~~ U ~~TOP SECRET~~ #55a **SENSITIVE**

RELEASE OF AMERICAN HOSTAGES IN BEIRUT N 7515

Background. In June 1985, private American and Israeli citizens commenced an operation to effect the release of the American hostages in Beirut in exchange for providing certain factions in Iran with U.S.-origin Israeli military materiel. By September, U.S. and Israeli Government officials became involved in this endeavor in order to ensure that the USG would:

-- not object to the Israeli transfer of embargoed materiel tc Iran;

-- sell replacement items to Israel as replenishment for like items sold to Iran by Israel.

On September ~~14~~ 3, the Israeli Government, with the endorsement of the USG, transferred 508 basic TOW missiles to Iran. Forty-eigh hours later, Reverend Benjamin Weir was released in Beirut.

Subsequent efforts by both governments to continue this process have met with frustration due to the need to communicate our intentions through an Iranian expatriate arms dealer in Europe. In January 1986, under the provisions of a new Covert Action Finding, the USG demanded a meeting with responsible Iranian government officials.

On February 20, a U.S. Government official met with,

the first direct U.S.-Iranian contact in over five years. At this meeting, the U.S. side made an effort to refocus Iranian attention on the threat posed by the Soviet Union and the need t establish a longer term relationship between our two countries based on more than arms transactions. It was emphasized that th hostage issue was a "hurdle" which must be crossed before this improved relationship could prosper. During the meeting, it als became apparent that our conditions/demands had not been accurat transmitted to the Iranian Government by the intermediary and it was agreed that:

-- The USG would establish its good faith and bona fides by immediately providing 1,000 TOW missiles for sale to Iran. This transaction was covertly completed on February 21, using a private U.S. firm and the Israelis as intermediari

-- A subsequent meeting would be held in Iran with senior U.S and Iranian officials during which the U.S. hostages would be released.

-- Immediately after the hostages were safely in our hands, t U.S. would sell an additional 3,000 TOW missiles to Iran using the same procedures employed during the September 19 transfer.

~~TOP SECRET~~
Declassify: OADR

~~TOP SECRET~~ **SENSITIVE**

[illegible] Released on 4 May 87
under provisions of E.O. [illegible]
by B. Reger, National Security Council

N 7516

In early March, the Iranian expatriate intermediary demanded that Iranian conditions for release of the hostages now included the prior sale of 200 PHOENIX missiles and an unspecified number of HARPOON missiles, in addition to the 3,000 TOWs which would be delivered after the hostages were released. A subsequent meeting was held with the intermediary in Paris on March 8, wherein it was explained that the requirement for prior deliveries violated the understandings reached in Frankfurt on February 20, and were therefore unacceptable. It was further noted that the Iranian aircraft and ship launchers for these missiles were in such disrepair that the missiles could not be launched even if provided

From March 9 until March 30, there was no further effort undertaken on our behalf to contact the Iranian Government or the intermediary. On March 26 [redacted] made an unsolicited call to the phone-drop in Maryland which we had established for this purpose. [redacted] asked why we had not been in contact and urged that we proceed expeditiously since the situation in Beirut was deteriorating rapidly. He was informed by our Farsi-speaking interpreter that the conditions requiring additional materiel beyond the 3,000 TOWs were unacceptable and that we could in no case provide anything else prior to the release of our hostages. [redacted] observed that we were correct in our assessment of their inability to use PHOENIX and HARPOON missiles and that the most urgent requirement that Iran had was to place their current HAWK missile inventory in working condition. In a subsequent phone call, we agreed to discuss this matter with him and he indicated that he would prepare an inventory of parts required to make their HAWK systems operational. This parts list was received on March 28, and verified by CIA.

Current Situation. On April 3, Ari Gorbanifahr, the Iranian intermediary, arrived in Washington, D.C. with instructions from [redacted] to consummate final arrangements for the return of the hostages. Gorbanifahr was reportedly enfranchised to negotiate the types, quantities, and delivery procedures for materiel the U.S. would sell to Iran through Israel. The meeting lasted nearly all night on April 3-4, and involved numerous calls to Tehran.

A Farsi-speaking CIA officer in attendance was able to verify the substance of his calls to Tehran during the meeting. Subject to Presidential approval, it was agreed to proceed as follows:

-- By Monday, April 7, the Iranian Government will transfer $17 million to an Israeli account in Switzerland. The Israelis will, in turn, transfer to a private U.S. corporation account in Switzerland the sum of $15 million.

N 7517.

-- On Tuesday, April 8 (or as soon as the transactions are verified), the private U.S. corporation will transfer $3.651 million to a CIA account in Switzerland. CIA will then transfer this sum to a covert Department of the Army account in the U.S.

-- On Wednesday, April 9, the CIA will commence procuring $3.651 million worth of HAWK missile parts (240 separate line items) and transferring these parts to [redacted] This process is estimated to take seven working days.

-- On Friday, April 18, a private U.S. aircraft (707B) will pick-up the HAWK missile parts(and fly them to a covert Israeli airfield for prepositioning (this field was used for the earlier delivery of the 1000 TOWs). At this field, the parts will be transferred to an Israeli Defense Forces' (IDF) aircraft with false markings. A SATCOM capability will be positioned at this location.

-- On Saturday, April 19, McFarlane, North, Teicher, Cave, and a SATCOM communicator will board a CIA aircraft in Frankfurt, Germany, enroute to Tehran.

-- On Sunday, April 20, the following series of events will occur:

  - U.S. party arrives Tehran (A-hour) -- met by Rafsanjani, as head of the Iranian delegation.
  - At A+7 hours, the U.S. hostages will be released in Beirut.
  - At A+15 hours, the IDF aircraft with the HAWK missile parts aboard will land at Bandar Abbas, Iran.

Discussion. The following points are relevant to this transaction, the discussions in Iran, and the establishment of a broader relationship between the United States and Iran:

-- The Iranians have been told that our presence in Iran is a "holy commitment" on the part of the USG that we are sincere and can be trusted. There is great distrust of the U.S. among the various Iranian parties involved. Without our presence on the ground in Iran, they will not believe that we will fulfill our end of the bargain after the hostages are released.

-- [redacted]

, Further, the Iranians are well aware that the situation in Beirut is deteriorating rapidly and that the ability of the IRGC to effect the release of the hostages will become increasingly more difficult over time.

-- We have convinced the Iranians of a significant near term and long range threat from the Soviet Union. We have real and deceptive intelligence to demonstrate this threat during the visit. They have expressed considerable interest in this matter as part of the longer term relationship.

-- We have told the Iranians that we are interested in assistance they may be willing to provide to the Afghan resistance and that we wish to discuss this matter in Tehran.

-- The Iranians have been told that their provision of assistance to Nicaragua is unacceptable to us and they have agreed to discuss this matter in Tehran.

-- We have further indicated to the Iranians that we wish to discuss steps leading to a cessation of hostilities between Iran and Iraq.

-- The Iranians are well aware that their most immediate needs are for technical assistance in maintaining their air force and navy. We should expect that they will raise this issue during the discussions in Tehran. Further conversation with Gorbanifahr on April 4, indicates that they will want to raise the matter of the original 3,000 TOWs as a significant deterrent to a potential Soviet move against Iran. They have also suggested that, if agreement is reached to provide the TOWs,

[redacted]

) We have agreed to discuss this matter.

-- The Iranians have been told and agreed that they will receive neither blame nor credit for the seizure/release of the hostages. (

N 7519

-- The residual funds from this transaction are allocated as follows:

  - $2 million will be used to purchase replacement TOWs for the original 508 sold by Israel to Iran for the release of Benjamin Weir. This is the only way that we have found to meet our commitment to replenish these stocks.

  - $12 million will be used to purchase critically needed supplies for the Nicaraguan Democratic Resistance Forces. This materiel is essential to cover shortages in resistance inventories resulting from their current offensives and Sandinista counter-attacks and to "bridge" the period between now and when Congressionally-approved lethal assistance (beyond the $25 million in "defensive" arms) can be delivered.

The ultimate objective in the trip to Tehran is to commence the process of improving U.S.-Iranian relations. Both sides are aware that the Iran-Iraq War is a major factor that must be discussed. We should not, however, view this meeting as a session which will result in immediate Iranian agreement to proceed with a settlement with Iraq. Rather, this meeting, the first high-level U.S.-Iranian contact in five years, should be seen as a chance to move in this direction. These discussions, as well as follow-on talks, should be governed by the Terms of Reference (TOR) (Tab A) with the recognition that this is, hopefully, the first of many meetings and that the hostage issue once behind us, improves the opportunities for this relationship.

Finally, we should recognize that the Iranians will undoubtedly want to discuss additional arms and commercial transactions as "quids" for accommodating(, Nicaragua, and Iraq. Our emphasis on the Soviet military and subversive threat, a useful mechanism in bringing them to agreement on the hostage issue, has also served to increase their desire for means to protect themselves against/deter the Soviets.

RECOMMENDATION

That the President approve the structure depicted above under "Current Situation" and the Terms of Reference at Tab A.

Approve _____ Disapprove _____

Attachment
Tab A - U.S.-Iranian Terms of Reference

~~SECRET~~ ~~SECRET~~ SENSITIVE

April 4, 1986

TERMS OF REFERENCE
U.S.-Iran Dialogue

N 7520

I. BASIC PILLARS OF U.S. FOREIGN POLICY (Optional)

-- President Reagan came into office at a time when Iran had had a certain impact on the American political process -- perhaps not what you intended.

-- The President represented and embodied America's recovery from a period of weakness. He has rebuilt American militar and economic strength.

-- Most important, he has restored American will and self-confidence. The U.S. *is* not afraid to use its power i defense of its interests.

✓ [redacted]

-- At the same time, we are prepared to resolve political problems on the basis of reciprocity.

-- We see many international trends -- economic, technologica and political -- working in our favor.

II. U.S. POLICY TOWARD IRAN: BASIC PRINCIPLES

A. U.S. Assessment of Iranian Policy.

- We view the Iranian revolution as a fact. The U.S. is not trying to turn the clock back.
- Our present attitude to Iran is not a product of prejudice or emotion, but a clear-eyed assessment of Iran's present policies.
- Iran has used "revolutionary Islam" as a weapon to undermine pro-Western governments and American interests throughout the Middle East. As long as this is Iran's policy, we are bound to be strategic adversaries.
- Support of terrorism and hostage-taking is part of thi strategic pattern. We see it used not only against us but against our friends. We cannot accept either. Your influence in achieving the release of *all* hostage return of those killed (over time) is essential.

~~SECRET~~
Declassify: OADR ~~SECRET~~ SENSITIVE

- We see your activity in many parts of the world, including even Central America.

- The U.S. knows how Iran views the Soviet Union. But subversion of Western interests and friends objectively serves Soviet interests on a global scale.

- Thus, our assessment is that a decisive Iranian victory in the war with Iraq would only unleash greater regional instability, a further erosion of the Western position, and enhanced opportunities for Soviet trouble-making.

- The U.S. will therefore do what it can to prevent such a development. We regard the war as dangerous in many respects and would like to see an end to it.

B. Possible Intersections of U.S.-Iranian Interests.

- Despite fundamental conflicts, we perceive several possible intersections of U.S. and Iranian interests. I propose we explore these areas.

- First, the U.S. has had a traditional interest in seeing Iran preserve its territorial integrity and independence. This has not changed. The U.S. opposes Soviet designs on Iran.

- Second, we have no interest in ~~an~~ Iraqi victory over Iran.

  [redacted] We are seeking an end to this conflict and want to use an improved relationship with Iran to further that end.

- Third, we have parallel views on Afghanistan. Soviet policy there is naked aggression, a threat to all in the region.

  [redacted] But our objective is the same: the Soviets must get out and let the Afghan people choose their own course.

C. U.S. Objective Today.

- We have no illusions about what is possible in our bilateral relations. Perhaps this meeting will reveal only a limited, momentary, tactical coincidence of interests. Perhaps more. We are prepared either way.

- In essence, we are prepared to have whatever kind of relationship with Iran that Iran is prepared to have with us.

~~SECRET~~

~~SECRET~~ SENSITIVE

N 7522

III. SOVIET MILITARY POSTURE

-- Moscow has designs on parts of Iran. [redacted]

-- Afghanistan illustrates the price the Soviets are ready to pay to expand areas under their direct control.

-- Summarize Soviet capabilities along border and inside Afghanistan which could threaten Tehran.

-- U.S. is aware of Soviet activity

-- Soviet plans How they would do it.

-- Iranian support to Sandinista regime in Nicaragua aids and abets Soviet designs -- makes U.S.-Iranian relationship more difficult ($100 million in oil last year, plus arms).

-- U.S. can help Iran cope with Soviet threat.

IV. AFGHANISTAN

-- May be real value for Iran and U.S. to find ways to cooperate against Moscow in Afghanistan.

-- U.S. can provide humanitarian assistance for refugees

-- We need to know who you work with, what you already provide, and devise strategy to exploit Iranian comparative advantage.

V. HARDWARE

-- We may be prepared to resume a limited military supply relationship.

-- However, its evolution and ultimate scope will depend on whether our convergent or our divergent interests come to loom larger in the overall picture.

-- What does Iran want?

~~SECRET~~ ~~SECRET~~ SENSITIVE

EXHIBIT DTR-23

UNCLASSIFIED

EXHIBIT
DTR-23

5/6/87

N 12131

[redacted] AS WHITE HOUSE C MUNICATIONS AGENCY

MSG FROM: NSJMP --CPUA TO: NSC .PUA 04/01/86 09:08:53
To: NSOLN --CPUA

*** Reply to note of 04/01/86 09:17

-- ~~SECRET~~ --

NOTE FROM: JOHN POINDEXTER
Subject: PRIVATE BLANK CHECK
I WILL TALK TO VP ABOUT STOPPING IN HONDURAS ON THE WAY BACK. I THINK WE HAVE TO SPEND [illegible] TO COSTA RICA BUT IT DOESN'T HAVE TO BE VP.
< PRIVATE BLANK CHECK
MSG FROM: NSOLN --CPUA TO: NSJMP --CPUA 04/07/86 23:10:50
To: NSJMP --CPUA

*** Reply to note of 04/07/86 23:20

-- ~~SECRET~~ --

NOTE FROM: OLIVER NORTH
Subject: What's going on?
Met last week w/ Gorba to finalize arrangements for a mtg in Iran and release of hostages on or about 19 Apr. This was based on word that he had to deposit not less than $15m in appropriate acct. by close of banking tomorrow.

Have talked at length w/ Nir who is handling him on this back side and Nir believes that Gorba may be having trouble closing the final arrangements back home. Per request of JMP have prepared a paper for our boss which lays out arrangements. Gorba indicated that yr counterpart in the T. mtg wd be Rafsanjani. If all this comes to pass it wd be one hell of a show.

Bottom line: believe you and overall premise of this paper & yr [illegible] concurrence. Wd like to see you anyway, am going home -- if I remember the way. Esta respuesta, North. OI
< What's going on?

[redacted]

[redacted]

2

[redacted]

UNCLASSIFIED

EXHIBIT DTR-24

UNCLASSIFIED

From: NSJMP --CPUA
To: NSOLN --CPUA

Date and time 04/16/86 19:02:42

N 9212

*** Reply to note of 04/16/86 16:40

-- ~~SECRET~~ --

NOTE FROM: JOHN POINDEXTER
Subject: PRIVATE BLANK CHECK
You may go ahead and go, but I want several points made clear to them. There are not to be any parts delivered until all the hostages are free in accordance with the plan that you layed out for me before. None of this half shipment before any are released crap. It is either all or nothing. Also you may tell them that the President is getting very annoyed at their continual stalling. He will not agree to any more changes in the plan. Either they agree finally on the arrangements that have been discussed or we are going to permanently cut off all contact. If they really want to save their asses from the Soviets, they should get on board. I am beginning to suspect that doesn't have much authority.

cc: NSPBT --CPUA PAUL THOMPSON

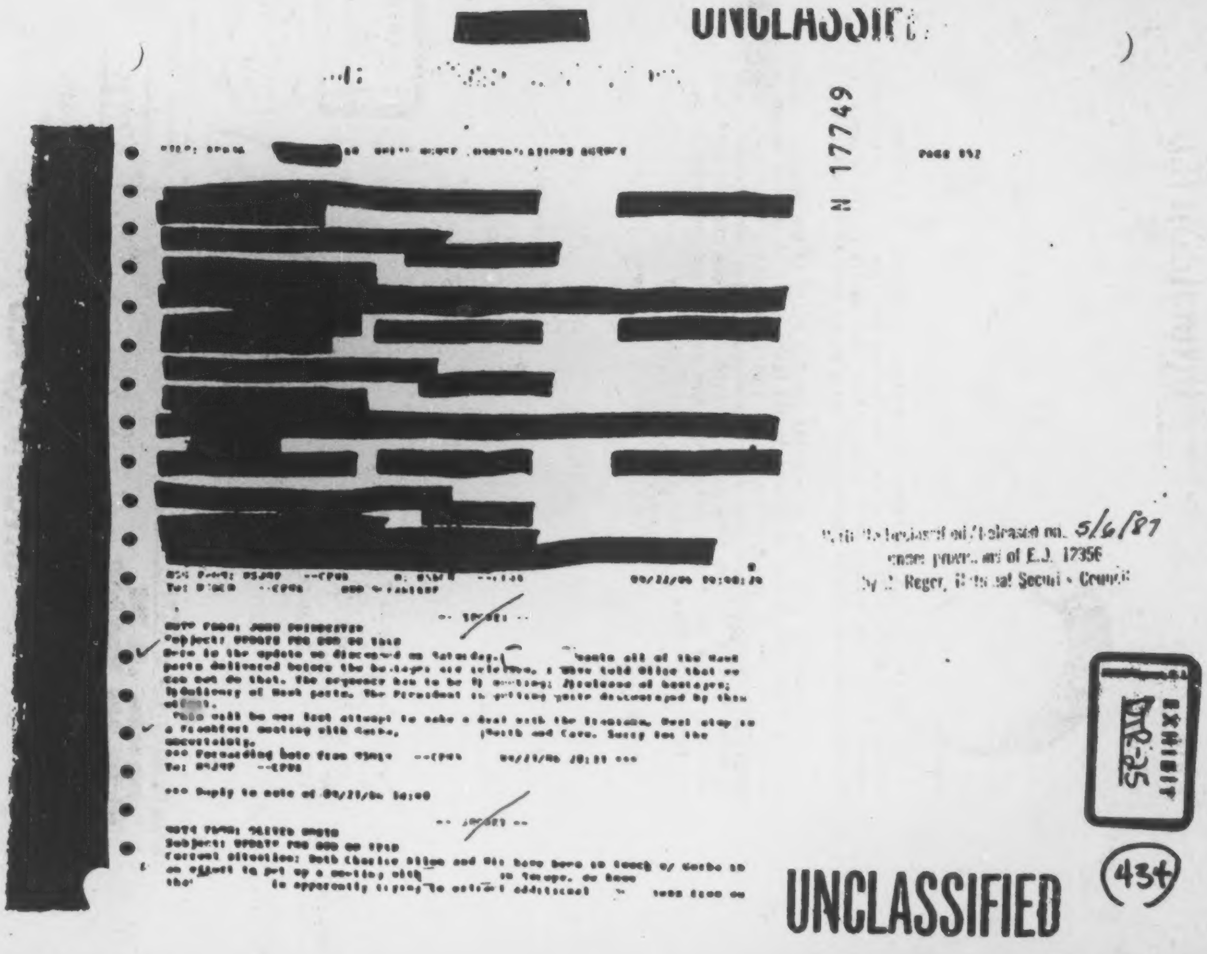
[illegible] 5/6/87
[illegible] of E.O. 12356
[illegible] Security Council

EXHIBIT
DTR-24

UNCLASSIFIED

476

EXHIBIT DTR-25



[redacted] UNCLASSIFIED

N 17749

[illegible] [redacted] [illegible] PAGE 002

[redacted]

[illegible] 08/22/86 [illegible]
To: [illegible]

-- REPLY --

NOTE FROM: JOHN POINDEXTER
Subject: UPDATE FOR BUD ON [illegible]
Prior to the update we discussed on Saturday, wants all of the Hawk parts delivered before the hostages are released. I have told Ollie that we can not do that. The sequence has to be 1) meeting; 2) release of hostages; 3) delivery of Hawk parts. The President is getting quite discouraged by this effort.
This will be our last attempt to make a deal with the Iranians. Next step is a Frankfurt meeting with Gorba, North and Cave. Sorry for the uncertainty.
*** Forwarding note from [illegible] --CPUA 04/21/86 20:[illegible] ***
To: [illegible] --CPUA

*** Reply to note of 04/21/86 14:00

-- REPLY --

NOTE FROM: OLIVER NORTH
Subject: UPDATE FOR BUD ON TRIP
Current situation: Both Charlie Allen and [illegible] have been in touch w/ Gorba in an effort to set up a meeting with in Europe. We have the is apparently trying to extract additional [illegible] from us

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under provisions of E.O. 12356
by J. Reger, National Security Council

EXHIBIT
DTR-25

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UNCLASSIFIED

[redacted]

Exhibit DTR-26

The Director of C[illegible]
Washington, D.C. 20505

UNCLASSIFIED

4870

23 April 1986

Dear Don,

I did talk to the President on the phone to impress upon him my concerns about the loss of Central America and the loss of our intelligence capabilities. He reacted with great concern and agreed on the urgency of taking strong measures to improve our position on both of these matters.

I am working with John Poindexter and his staff on the program indicated in my 1 March memorandum to George Shultz (attached). I believe we are moving in the direction of implementing this. I will be meeting tomorrow with [redacted] and with John Poindexter and Ken deGraffenreid, and with Ed Meese when he returns from abroad on Friday. I hope that we will have something to be reviewed by principals upon your return and ready to be implemented quickly.

Yours,

William J. Casey

Attachments (2)

The Honorable Donald T. Regan
Chief of Staff and Assistant
to the President
The White House
Washington, D. C. 20500

EXHIBIT
DTR-26

2882

Executive Registry
37,934

Partially Declassified/Released on 29 Jul 87
[illegible]
By [illegible] Security Council

CL BY 0008074
RVW OADR

C1/N 1881

UNCLASSIFIED

23 April 1986

C 4871

Situation in Nicaragua

The Facts:

-- The discharge petition is a non-starter--cannot get 218 signatures.

-- Available NHOA money is now less than $2.7 million. Will allow for purchase of enough food to sustain forces until mid-July.

-- Instructions have been issued for troops to go on diminished rations. No additional purchases of equipment will be made.

-- FDN has begun to run short of some munitions. This will accelerate in June and July.

-- Private resources are not going to be sufficient to meet the needs.

-- Within 45 days, troops which infiltrated into northwestern Nicaragua during April will either need resupplying or will exfiltrate.

-- All the facts point towards a serious debilitating logistical problem sometime during the month of July.

The Implications:

-- Given the foregoing, it was the conclusion of the working group that we are at a critical juncture. Either we get funding for the contras to implement the policy or scrap our present policy and move ahead with final alternatives.

-- First, we need an all out effort, laying out the stark alternatives, to get Congress to vote up or down on a program similar to the one approved by the Senate. It is not clear that the House Parliamentarian will find this request in order, but it is the only shot to get legislation before the fall.

-- In making the request, we need to make it clear that if we fail we will be forced to give up the contra alternative and pursue other options. Alternative options will require:

- Refugee resettlement programs in the US for fighters and their families who so desire, running to the tens of thousands.
- Hundreds of millions will be required for assistance funding for Central American countries.

-- Our long-term security could require embargo, blockade or other direct military action. Reference should be made to comments by the various members of Congress that if our security is really at stake, why don't we do more.

A

Executive Registry
37,937

CIIN 1882

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UNCLASSIFIED

1 March 1986   C 4872

MEMORANDUM FOR: Secretary of State

SUBJECT: Unauthorized Disclosures

1. Our foreign policy continues to be undercut and our intelligence sources and methods damaged by unauthorized disclosures of classified information.

2. A widespread perception exists in this government that people who violate their obligation to protect classified information go unpunished. The perception is growing that nobody cares. This undermines the morale of those who do care.

3. We will be judged harshly by history unless we act effectively to restore discipline to the handling of sensitive information.

4. Most organizations in this government rarely, if ever, investigate unauthorized disclosures. The DCI Security Committee reports that during the first quarter of 1986, [redacted] investigations of unauthorized disclosures were initiated by CIA, [redacted] by NSA, and [redacted] by State with no other member of the Intelligence Community initiating investigations, although other elements of Defense, FBI and Justice could well have done so. In short, CIA and NSA, which produce most of the intelligence, make more serious efforts to curb and penalize unauthorized disclosures than do the agencies which receive intelligence and where it passes through the hands of the largest number of people.

5. Agencies take too long to recognize unauthorized disclosures, to report them, and to begin investigations. Better focused and more sophisticated inquiry into serious leaks is needed to revive discipline. In discussions between the Department of Justice, FBI, CIA, and NSA, there is agreement that a team of more high level, more experienced, and more specialized investigators should be established to concentrate on investigating unauthorized disclosures.

6. To direct and focus this, we should establish a small committee with representatives of Defense, Justice, State, NSC, CIA and NSA. It would screen unauthorized disclosures as they occur and select those where the damage is severe, the offense egregious, and the number of suspects limited enough to justify a strong investigative effort.

7. Procedures for authorizing and recording contacts with the media should be developed and applied as appropriate.

8. The essential requirement to limit continuing damage from unauthorized disclosures is to make users and handlers of classified information highly conscious that transgressions can be discovered and detected. Restoring risk to the misuse of classified information is the key to limiting i

Executive Registry
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/S/

William J. Casey

CIIN 1883

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CL BY 000807
RVW OADR

Exhibit DTR-27

cc: NSPBT --CPUA PAUL THOMPSON NSDRF --CPUA DON FORTIER

FROM: NSJMP --CPUA TO: NSDRF --CPUA 05/02/86 23:01:50
NSDRF --CPUA

*** Reply to note of 05/02/86 19:29

-- SECRET --

NOTE FROM: JOHN POINDEXTER
Subject: CONTRA PROJECT
When Shultz, Regan and I discussed it yesterdeay on AF-1, we were a bit confused as to whether the expedited procedures in the legislation would apply to this proposal. What pressure would exist on Tip to take action on it? Please talk to Will Ball. What about the idea that Jim Miller and Dennis had about submitting an urgent-urgent supplemental containing among other things the Irish aid package?

Next, yesterday in a meeting that I had with the President, he started the conversation with "I am really serious." "If we can't move the Contra package before June 9, I want to figure out a way to take action uni-laterally to provide assistance." In other words he does not buy the concept of taking actions or talking about pulling out as described in the package. He has been reading Natanyahu's (sp?) book on terrorism and he was taken with the examples of Presidential actions in the past without Congressional approval. He also read an op-ed piece on the same subject. I believe that was the one by Dick Pipes' son. The President is recalling the 506A action we took on Honduras. I told him that I didn't think that it would apply here, since we are not dealing with a government. But the fact remains that the President is ready to confront the Congress on the Copnstitutional question of who controls foreign icy. We need to get Abe Sofaer and other stalwart lawyers thinking in these ms to see if there is some way we could do this, if all else fails.

With your answers to the first question, we will discuss the package on the return trip and be ready to proceed on return. I have George's proxy on the package. George agrees with the President that we have to win some way and we will not pull out.

cc: NSRKS --CPUA RON SABLE NSOLN --CPUA OLLIE NORTH
NSRBM --CPUA ROD MCDANIEL NSPBT --CPUA PAUL THOMPSON
NSWRP --CPUA BOB PEARSON NSFEG --CPUA FLORENCE GANTT

EXHIBIT
DTR-27

[illegible] [redacted] [illegible] WHITE HOUSE [illegible]

UNCLASSIFIED

N 17735

[illegible] --CPUA

Reply to note of 05/02/86 10:20 -- SECRET --

* FROM: JOHN POINDEXTER
Subj: CONTRA PROJECT

[illegible] Shultz, [illegible] and I discussed at yesterday [illegible], we were a bit [illegible] as to whether the expedited procedures in the legislation would apply [illegible] proposal. What pressure would exist on Tip to take action on it? [illegible] talk to Will Ball. What about the idea that Jim Miller and Dennis had of submitting an [illegible] supplemental containing among other things [illegible] and package?

[illegible] yesterday in a meeting that I had with the President, he started the conversation with "I am really serious." "If we can't move the Contra package [illegible] June 9, I want to figure out a way to take action unilaterally to [illegible]." In other words, he does not buy the concept of taking [illegible] of talking about pulling out as described in the package. He has been [illegible] and he was taken with the examples [illegible] actions in the past without Congressional approval. He also [illegible] piece on the same subject. I believe that was the one by Rich [illegible]. The President is recalling the 1983 action we took on Grenada. I [illegible] that I didn't think that it would apply here, since we are not [illegible] with a government. But the fact remains that the President is ready to [illegible] the Congress on the constitutional question of who controls foreign policy. We need to get the [illegible] and other [illegible] lawyers thinking in these [illegible] to see if there is some way we could do this, if all else fails.

[illegible] your answer to the first question, we will discuss the package on the [illegible] and be ready to proceed on return. I have George's proxy on the [illegible]. George agrees with the President that we have to win some way and not pull out.

[illegible] --CPUA [illegible] [illegible] --CPUA OLLIE NORTH
[illegible] --CPUA [illegible] [illegible] --CPUA PAUL THOMPSON
[illegible] --CPUA [illegible] [illegible] --CPUA FLORENCE GANTT
CONTRA PROJECT

[redacted]

[illegible] 5/6/87

UNCLASSIFIED

441

EXHIBIT DTR-28

SYSTEM II
90369
N 3872

THE WHITE HOUSE
WASHINGTON

NOTED

~~SECRET~~ May 15, 1986

MEETING WITH THE NATIONAL SECURITY PLANNING GROUP (NSPG)

DATE: Friday, May 16, 1986
LOCATION: White House Situation Room
TIME: 11:00 a.m. - 12:00 noon

FROM: JOHN M. POINDEXTER

I. **PURPOSE**

To resolve issues on aid to the Nicaraguan Democratic Resistance Forces (DRF) and our current posture in the Contadora process.

II. **BACKGROUND**

The delay in Congressional action on your aid proposal for the DRF, coupled with the ongoing Contadora discussions, are creating expectations and anxieties in the U.S. and in Central America. The resistance itself is increasingly desperate as available supplies are depleted. As of May 1, no further medical supplies or clothing are available. By mid-June the outside support the resistance has received will have been consumed, and no further significant support appears readily available.

As time goes on without any USG or outside assistance, the capabilities and morale of the resistance will be seriously debilitated. Despite our assurances to the Central American democracies, we still do not have a clear legislative path that will assure a positive vote in the next few weeks. This factor is also influencing Central American thinking on the Contadora accord.

Contadora negotiations are scheduled to resume in Panama on Friday, May 16. [redacted] The Sandinistas will likely proclaim that they are prepared to sign another version of the treaty, containing proposals which our friends have rejected. We will then find ourselves engaged in a propaganda contest in which each side will claim the other is intransigent. Our objective should be to support our friends' position as a positive and constructive Central American effort to deal with the region's problems, while denouncing the Sandinistas for refusing to negotiate.

cc Vice President
Don Regan

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under provisions of E.O. 12356
by B. Reger, National Security Council

EXHIBIT
DTR-28

[redacted] This continues to be a volatile political issue which has created considerable speculation that a treaty is about to be signed by the Central Americans which would "sell out" the DRF. This NSPG meeting is an opportunity for you to clarify the facts and restate our position on Contadora:

-- The USG will support a verifiable and enforceable treaty which ensures that all the Contadora 21 Points are addressed.

-- That this country cannot and will not be a party to any agreement which does not assure that implementation of these 21 Points can be fully verified.

-- [redacted]

A consistent Administration position on Contadora, as indicated above, will be helpful in Central America and with the Congress. Our legislative experts advise that the only realistic vehicle for aid to the DRF is the Military Construction Bill which is pending Committee action in the House. We have indications that, while Speaker O'Neill will accept DRF aid amendments to this bill during the week of June 9, he has no intention of allowing it to pass. Even if such a vehicle passes in the House, we stand a good chance of filibuster in the Senate and the likelihood that no aid would be available until August or September 1986.

Given the urgency of the situation within the resistance, it is important that we identify measures which can provide some form of immediate assistance. Three options have been developed:

-- An immediate reprogramming of $15M from DOD to CIA for humanitarian assistance to the DRF. These funds would reduce your subsequent request from $100M to $85M. This action would require approval in the House and Senate Intelligence Committee, the Armed Services Committees, and the Defense Appropriations Sub-Committees. We can make a good case that this humanitarian assistance ($5M per month through August 1986) is essential to maintain the option of DRF pressure in order to improve prospects for a verifiable and enforceable Contadora agreement. Those who counsel delay on any DRF aid until after the Contadora process has "played out" can be deterred by the argument that a ceasefire under Contadora still requires the DRF to survive while "national reconciliation negotiations" are underway.

-- A Presidential appeal for private donations by U.S. citizens. Such a step would undoubtedly result in considerable domestic criticism and perhaps a Congressional move to make such activity unlawful. We would also have to ensure that donations were properly managed and disbursed in such a way as to support a broad based democratic resistance movement.

-- A direct and very private Presidential overture to certain Heads of State who are financially and politically capable of "bridging" the resistance needs until a more favorable Congressional environment obtains. Such a step would likely allow us to demonstrate the viability of the resistance without having to endure further domestic partisan political debate. This option has two significant liabilities:

  - Public exposure would exacerbate the current partisan atmosphere.
  - The foreign contributors would ultimately expect that their largesse would result in some kind of USG concession in their favor.

Finally, all agree that our policy in the region on both Contadora and the resistance requires you to increase your personal profile on the issues. If this meeting results in consensus on these two issues, we should quickly submit a Presidential Message to the Congress noting the immediate need for the $15M in non-military assistance to the DRF. Your Message should cite the consequences of a failure to act and its national security implications.

III. **PARTICIPANTS**: See clearance list at Tab B.

IV. **PRESS PLAN**: None.

V. **SEQUENCE OF EVENTS**: See agenda Tab A.

Prepared by:
Oliver North
Ray Burghardt

Attachments
Tab A - Agenda
Tab B - List of Participants

~~SECRET~~

UNCLASSIFIED

THE WHITE HOUSE

WASHINGTON

SYSTEM II
90369

N 3875

SECRET

MEETING WITH THE NATIONAL SECURITY PLANNING GROUP (NSPG)

Friday, May 16, 1986
White House Situation Room
11:00 a.m. - 12:00 noon

I. INTRODUCTION. . . . . .John Poindexter
(2 minutes)

II. INTELLIGENCE BRIEFING . . . . .Director Casey
(5 minutes)

III. CONTADORA SUMMARY . . . . .Secretary Shultz
(10 minutes)

IV. RESISTANCE FUNDING OPTIONS. . . . . .John Poindexter
(10 minutes)

V. DISCUSSION. . . . . .All
(30 minutes)

VI. SUMMARY . . . . .John Poindexter
(3 minutes)

[redacted]

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N 3876

MEETING WITH THE NATIONAL SECURITY PLANNING GROUP (NSPG)

Friday, May 16, 1986
White House Situation Room
11:00 a.m. - 12:00 noon

VP Office

Mr. Don Gregg

State

Secretary George Shultz
Assistant Secretary Elliott Abrams

Defense

Secretary Caspar Weinberger
Under Secretary Fred Ikle

CIA

Director William Casey
[redacted]

JCS

Admiral William Crowe
LTGEN John Moellering

White House

Mr. Donald Regan
Mr. William Ball
ADM John Poindexter

NSC

LTCOL Oliver North
Mr. Raymond Burghardt

[illegible]

EXHIBIT DTR-29

EXHIBIT DTR-29

N 12528

UNCLASSIFIED

[redacted]

*** Reply to note of 03/16/86 16:19

NOTE FROM: OLIVER NORTH
Subject: IRAN AND TERRORISM

I passed the info, w/o mentioning him to both Clarridge and Casey. Clarridge believes that there may indeed be something to the offer to [redacted]

Will work w/ Dewey on a rescue plan which we may wish to carry out after we complete the hostage arrangements.

You should be aware that the resistance support organization now has more than $6M available for immediate disbursement. This reduces the need to go to third countries for help. It does not, however, reduce the urgent need to get CIA back into the management of this program. We can only do this by going forward with the reprogramming proposal and getting the requisite authorities for CIA involvement. Unless we do this, we will run increasing risks of trying

to manage this program from here with the attendant physical and political liabilities. I am not complaining, and you know that I love the work, but we have to lift some of this onto the CIA so that I can get more than [illegible] hrs of sleep at night. The more money there is (and we will have a considerable amount in a few more days) the more visible the program becomes (airplanes, pilots, weapons, deliveries, etc.) and the more inquisitive will become people like Kerry, Barnes, Harkins, et al. While I care not a whit what they say about me, it could well become a political embarrassment for the President and you. Much of this risk can be avoided simply by covering it with an authorized CIA program undertaken with the $15M. This is what I was about to say in the meeting today and a point that I believe Shultz does not understand in his advocacy of third country solicitation. I have no idea what Don Regan does or does not know re my private U.S. operation but the President obviously

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under provisions of E.O. 12356
by ... National Security Council

(45a)

JMP 8/69 (17)

[redacted]

UNCLASSIFIED

[redacted] UNCLASSIFIED

FILE: ARTM6 [redacted] 10 WHITE HOUSE COMMUNICATIONS AGENCY N 12

knows why he has been meeting with several select people to thank them for
their "support for Democracy" in CentAm. In short, we need to proceed with the
$15M. Shall I work this up? Warm regards, North
$ IRAN AND TERRORISM
MSG FROM: NSJMP --CPUA TO: NSJMP --CPUA
TO: NSJMP --CPUA JOHN M. POINDEXTER 05/16/86 16:42:01

(453)

JMP 81

[illegible] Released on 5/4/87
E.O. 12356
[illegible] Security Council

UNCLASSIFIED

EXHIBIT DTR-30

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UNCLASSIFIED

NOTE FROM: JOHN POINDEXTER
Subject: IRAN AND TERRORISM
GO AHEAD AND WORK UP THE PAPER NEEDED FOR THE $15M REPROGRAMMING. WILL BALL IS TO CHECK WITH MICHEL AND CHENEY TODAY. I UNDERSTAND YOUR CONCERN AND AGREE. I JUST DIDN'T WANT YOU TO BRING IT UP AT NSPG. I GUESSED AT WHAT YOU WERE GOING TO SAY. DON REGAN KNOWS VERY LITTLE OF YOUR OPERATION AND THAT IS JUST AS WELL.

IRAN AND TERRORISM
MSG FROM: NSJMP --CPUA TO: NSPUB --CPUA 05/19/86 10:00:05

N 12533

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under provisions of E.O. 12356
by J. Reger, National Security Council

JMP 8161 @ (461)

[redacted]

EXHIBIT
DTR-30

UNCLASSIFIED

Exhibit DTR-31

UNCLASSIFIED ~~SECRET~~

~~SECRET/SENSITIVE~~

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

MEMORANDUM OF CONVERSATION

SUBJECT: U.S.-Iran Dialogue

N 15337

PARTICIPANTS:

U.S.
The President
The Vice President
Donald Regan
John Poindexter
Robert McFarlane
Oliver North
Howard Teicher
Rod McDaniel

DATE: May 29, 1986
PLACE: Oval Office
TIME: 9:30 a.m.

McFarlane briefed the President on the visit to Tehran. "We did not succeed in gaining the hostages' release. The current state of government in Iran lacks competence. The competents were decapitated. One hundred thousand or more are gone. The tentative overtures to U.S. result from a recognition of their declining circumstances."

McFarlane described their bazaar-style negotiating tactics and apparent fear of failure. On the terms of reference, there was disagreement, but some areas of agreement as well, e.g., the Soviet threat, Afghanistan. The Iranians have never stepped up to the reality of hostage release process. Misunderstandings were caused by Ghorbanifar's letter.

On possibilities for future, the Iranians are moved by the opportunity to restore ties to serve their strategic and economic interests. "They will be back in touch with us. They have now met with North and Teicher. I recommend no more meetings until the hostages are released. A lot may be possible. You have begun to open the door to these people." (S)
The meeting ended at 9:40.

Prepared by:
Howard Teicher

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Declassify on: OADR

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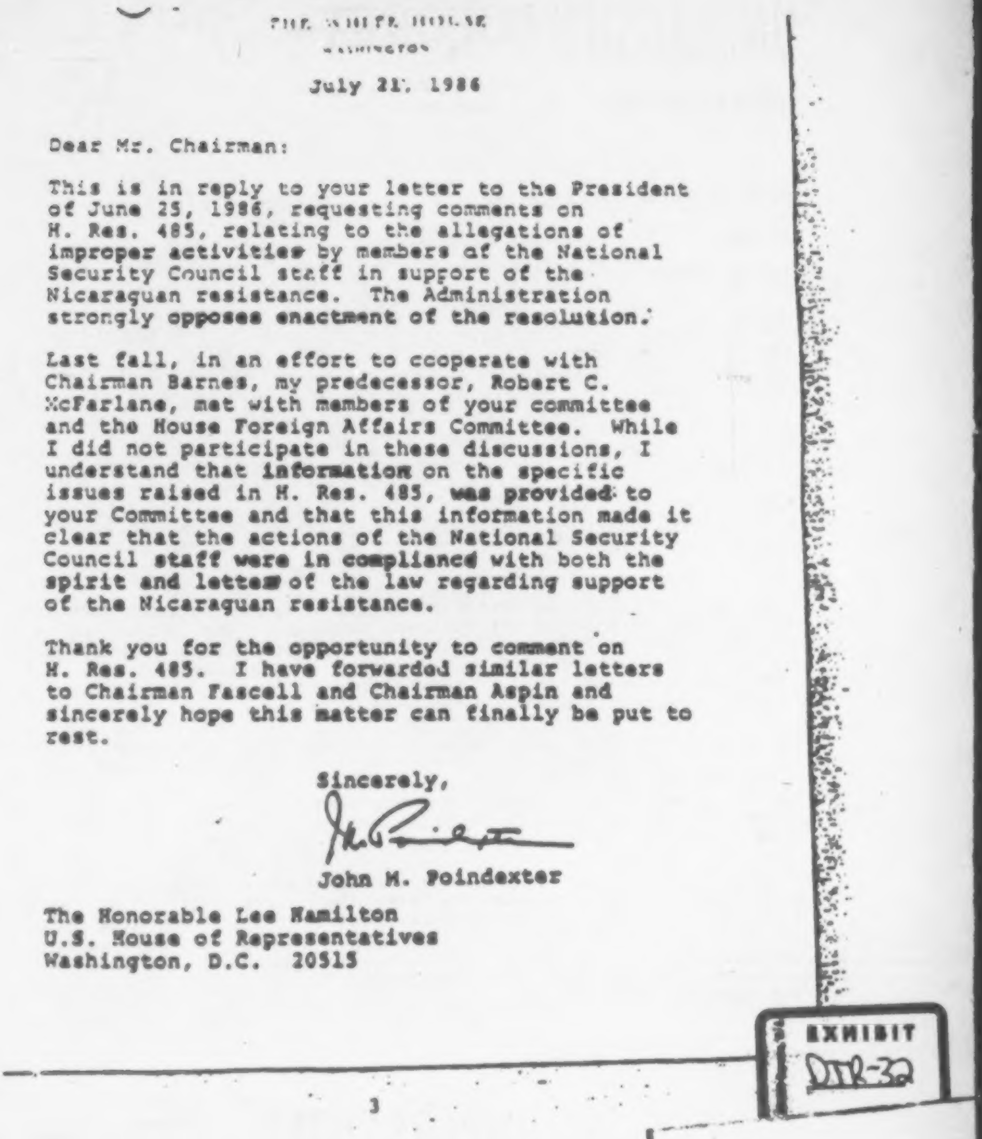
EXHIBIT
DTR-31

EXHIBIT DTR-32



THE WHITE HOUSE
WASHINGTON

July 21, 1986

Dear Mr. Chairman:

This is in reply to your letter to the President of June 25, 1986, requesting comments on H. Res. 485, relating to the allegations of improper activities by members of the National Security Council staff in support of the Nicaraguan resistance. The Administration strongly opposes enactment of the resolution.

Last fall, in an effort to cooperate with Chairman Barnes, my predecessor, Robert C. McFarlane, met with members of your committee and the House Foreign Affairs Committee. While I did not participate in these discussions, I understand that information on the specific issues raised in H. Res. 485, was provided to your Committee and that this information made it clear that the actions of the National Security Council staff were in compliance with both the spirit and letter of the law regarding support of the Nicaraguan resistance.

Thank you for the opportunity to comment on H. Res. 485. I have forwarded similar letters to Chairman Fascell and Chairman Aspin and sincerely hope this matter can finally be put to rest.

Sincerely,

John M. Poindexter

The Honorable Lee Hamilton
U.S. House of Representatives
Washington, D.C. 20515

EXHIBIT
DTR-32

[illegible]

U.S. HOUSE OF REPRESENTATIVES
PERMANENT SELECT COMMITTEE
ON INTELLIGENCE
WASHINGTON DC 20515

N 3529

N ______
RLE ______
CPC ______
FILE ______
COMMENT ______

Ollie North fyi

July 1, 1986

The President
The White House
Washington, D. C. 20500

Dear Mr. President:

I am writing to request your comments on H. Res. 485, a resolution of inquiry directing the President to provide to the House of Representatives certain information concerning activities of Lieutenant Colonel Oliver North or any other member of the staff of the National Security Council in support of the Nicaraguan resistance.

This resolution was introduced in the House on June 24, 1986 and referred jointly to the Committees on Foreign Affairs, Armed Services and the Permanent Select Committee on Intelligence. Under the rules of the House, the committees must act on this legislation within 14 legislative days, beginning June 25. Since the July 4th recess period has intervened, this time period will not be up until the end of July. Therefore, I respectfully request your response to this resolution no later than July 22 in order to give the Committee adequate time to consider the matter.

A copy of H. Res. 485 is enclosed for your reference.

With best wishes, I am

Sincerely yours,

Lee H. Hamilton
Chairman

Enclosure

430091

Congress of the United States
Committee on Foreign Affairs
House of Representatives
Washington, DC 20515

N 133

June 25, 1986

The President
The White House
Washington, D. C. 20500

Dear Mr. President:

I am writing to request your comments on H.Res. 485, a resolution of inquiry directing the President to provide to the House of Representatives certain information concerning activities of Lt. Col. Oliver North or any other member of the staff of the National Security Council in support of the Nicaraguan resistance.

This resolution was introduced in the House on June 24, 1986 and referred jointly to the Committees on Foreign Affairs, Armed Services and the Permanent Select Committee on Intelligence. Under the rules of the House, the committees must act on this legislation within 14 legislative days, beginning June 25. Since the July 4th recess period will start shortly, this time period will not be up until the end of July. Therefore, I respectfully request your response to this resolution no later than July 22 in order to give the committee adequate time to consider the matter.

A copy of H.Res. 485 is enclosed for your reference.

With highest regards, I am

Sincerely yours,

Dante B. Fascell

Dante B. Fascell
Chairman

Kathy –
Copies went to
Alan, Lyn, Sable,
[illegible] + Will.
(in file)

DBF:ji
Enclosure

Exhibit DTR-33

Meeting with Prime Min[illegible] UNCLASSIFIED
September 15, 1986

N 53272

PARTICIPANTS LIST

Pre-Brief -- 2:00 - 2:30 p.m. (Oval Office)

1:50-2:23

The President
The Vice President
Secretary Shultz
Secretary Weinberger
Donald T. Regan
John M. Poindexter
Assistant Secretary Richard Murphy
Ambassador Thomas Pickering
Dennis Ross, NSC Staff
Alton Keel
Larry Speakes

2:31-2:41 Photo
in Ova

One-on-One -- 2:30 - 2:45 p.m. (Oval Office)

The United States
The President

2 notetakers

2:41-3:0

Israel
Prime Minister Peres

Plenary Meeting -- 2:45 - 3:30.m. (Cabinet Room)

3:00-3:33

The United States
The President
The Vice President
Secretary Shultz
Secretary Weinberger
Donald T. Regan
John M. Poindexter
Larry Speakes
Assistant Secretary Richarurphy
Ambassador Thomas Pickerin
Dennis Ross, NSC Staff
William Burns, NSC Staff
Frank Lavin
Larry Speakes

2877

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By B. Reger, National Security Council

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EXHIBIT
DTR-33

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Plenary Cont

53273

Israel

Prime Minister Shimon Peres
Ambassador Meir Rosenne
Abraham Tamir, Director General, Office of the Prime Minister
Hanan Bar-On, Deputy Director General, Ministry of Foreign Affairs
Dr. Nimrod Novik, Policy Advisor to the Prime Minister
Dan Halperin, Economic Minister, Embassy of Israel
Brigadier General Azriel Nevo, Military Secretary to the Prime Minister
Uri Savir, Media Advisor to the Prime Minister
- one additional -

Departure Statements -- 3:30 - 3:40 p.m. (South Lawn)

The United States
The President

Israel
Prime Minister Peres

2597

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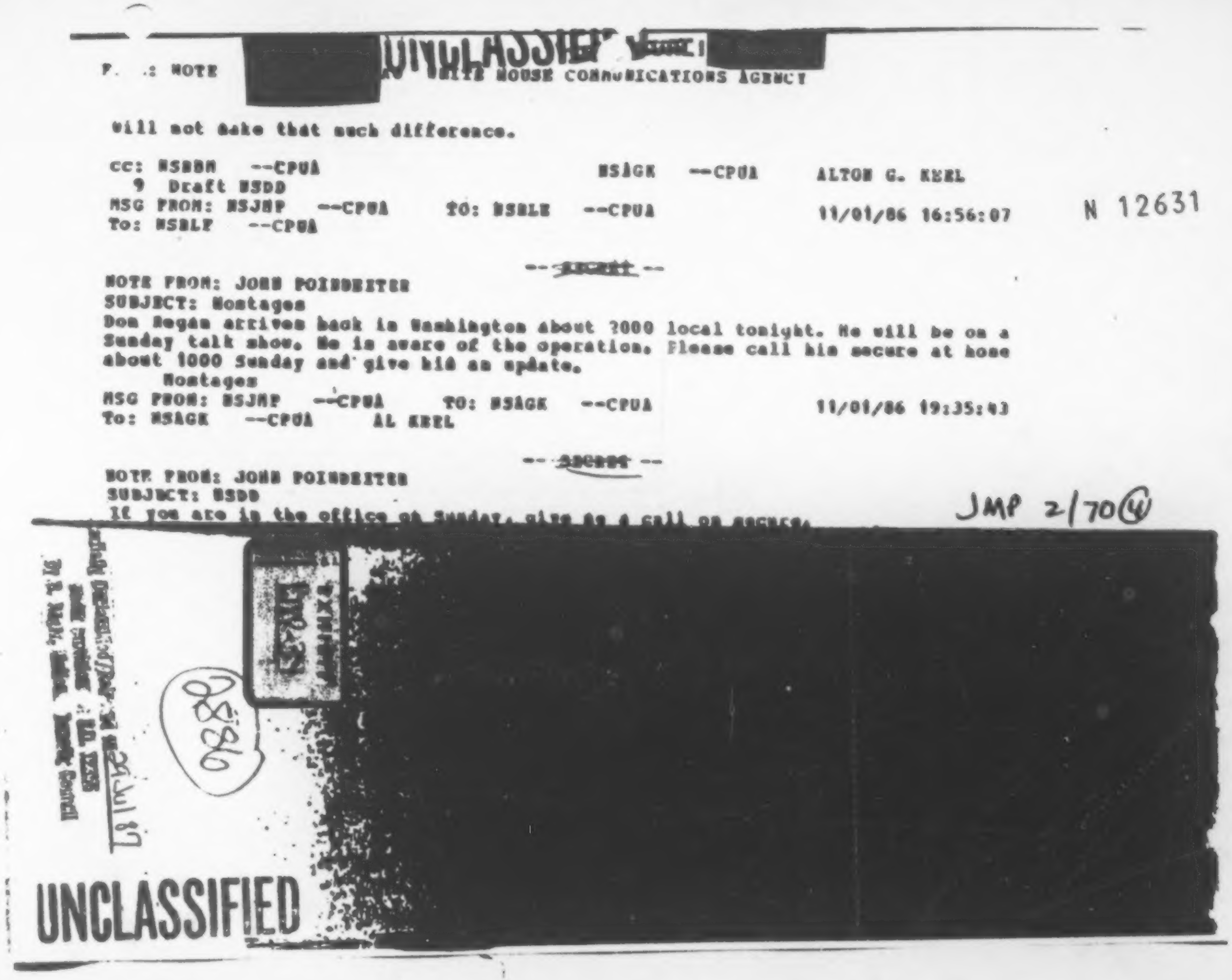
EXHIBIT DTR-34



F. .: NOTE [redacted] UNCLASSIFIED [redacted] WHITE HOUSE COMMUNICATIONS AGENCY

will not make that much difference.

```
cc: NSBDM   --CPUA                        NSAGK   --CPUA     ALTON G. KEEL
  9  Draft NSDD
MSG FROM: NSJMP   --CPUA    TO: NSBLE   --CPUA              11/01/86 16:56:07
To: NSBLF   --CPUA
```

N 12631

-- ~~SECRET~~ --

NOTE FROM: JOHN POINDEXTER
SUBJECT: Hostages
Don Regan arrives back in Washington about 2000 local tonight. He will be on a Sunday talk show. He is aware of the operation. Please call him secure at home about 1000 Sunday and give him an update.

```
     Hostages
MSG FROM: NSJMP   --CPUA    TO: NSAGK   --CPUA              11/01/86 19:35:43
To: NSAGK   --CPUA     AL KEEL
```

-- ~~SECRET~~ --

NOTE FROM: JOHN POINDEXTER
SUBJECT: NSDD
If you are in the office on Sunday, give me a call on secure.

JMP 2/70 ④

[redacted]

EXHIBIT DTR-34

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EXHIBIT DTR-35

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N 18449-A

FILE: NOTE [redacted] WHITE HOUSE COMMUNICATIONS AGENCY PAGE 072

To: NSCPC --CPUA

*** Reply to note of 11/02/86 02:13 -- [redacted]

NOTE FROM: JOHN POINDEXTER
Subject: ABE HOLLOWAY
You should also notify in step 3: Regan (who is now in Washington), Bush, NMCC for Crowe and Weinberger. Get Ron Sable to take care of Congressional.
ABE HOLLOWAY 0
NSS FROM: NSCPC --CPUA TO: NSJMP --CPUA 11/02/86 02:13:09
To: NSJMP --CPUA

*** Reply to note of 11/02/86 02:03
NOTE FROM: Craig P. Coy
Subject: ABE HOLLOWAY
I plan as follows: 1. confirm safe positioning of hostages (1 or 2) in residence 2. launch helo 3. recommend issue statement (notify VP, State, Congressional(?)) 4. launch medical team, notify Wiesbaden, use private charter to fly hostages 5. ask State (CA) to notify families

cc: NSOLN --CPUA NSDLP --CPUA
ABE HOLLOWAY 0
NSS FROM: NSJMP --CPUA TO: NSCPC --CPUA 11/02/86 02:47:04
To: NSCPC --CPUA

*** Reply to note of 11/02/86 02:30 -- [redacted]

NOTE FROM: JOHN POINDEXTER
Subject: ABE HOLLOWAY
Here is the announcement we will have Larry Speakes release at the appropriate time:

Presidential Statement

I am pleased to announce that two of the Americans held hostage in Beirut have been released. We are not at liberty at this point to tell you who they are since we are still notifying the families. However, I do want to express my personal appreciation to the various parties and intermediaries who have been helpful in arranging this release. Unfortunately, we cannot divulge any of the details of the release because the lives of other Americans and other Western hostages are still at risk.

Again, I call on the captors of all hostages in Lebanon to release their innocent victims. No political goals are or will be achieved by resorting to extortion and terrorism. We hold the captors of the remaining American hostages in Lebanon responsible for the safety of these Americans. My thoughts and prayers go out to the families of those American hostages as we continue to work for their safe return.
ABE HOLLOWAY 0
NSS FROM: NSCPC --CPUA TO: NSJMP --CPUA 11/02/86 02:30:29
To: NSJMP --CPUA

*** Reply to note of 11/02/86 02:21
NOTE FROM: Craig P. Coy
Subject: ABE HOLLOWAY
Latest note, Jacobsen will be at residence shortly. Have
avoid publicity until 2nd hostage status confirmed. Welo
— [redacted]

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EXHIBIT
DTR-35

EXHIBIT DTR-36

TO: NSJMP [illegible] JOHN M POINDEXTER

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Nov.

N 7501

NOTE FROM: ROBERT MCFARLANE
SUBJECT: Current Events

Having been out of town for two days and maintaining the no comment line, I returned today to find that Don Regan has backgrounded the weeklies and laid the entire problem at my feet; my idea, my management, a strict arms for hostages deal, no larger agenda in mind, etc. I was told this not by a journalist but by my closest friend who had been getting calls all day to the effect that "Bud is being hung out to dry by Don Regan." I stillhave not commented to anyone.

But I must tell you that if this is true, I will be quite mad. This will be the second lie Don Regan has sowed against my character and I won't stand for it.

It might be useful to review just what the truth is.

You will recall that when the Israelis first approached us in June '85, I presented the idea of engaging in a dialogue with the Iranians--no mention at all of any arms exchanges at all--and he approved it.

We then heard nothing until August when the Israelis introduced the requirement for TOWs. I told Kimche no.

They went ahead on their own but then asked that we replace the TOWS and after checking with the President, we agreed. Weir was released as a consequence of their action.

My next involvement was to go to London where I presented our willingness to open a political dialogue but that we could not participate in an arms transfer for hostages. Gorbanifar ranted and raved but we did not change our position.

I returned to the States and debriefed the President (with Cap present, and Regan) that we had taken the position of being open to a political dialogue once our hostages were released but not before and ruled out an arms transfer. I also said that Gorbanifar was not to be tursted and recomended that we no longer carry on business with him. You were present John. I then left the government.

Some dialogue must have continued with Gorbanifar between New Year's and April, notwithstanding my recommendation. In April you contacted me to go to Iran to open the political dialogue. I did so. Once there, faced with bad faith on their part (not having released our people and without meetings with the decision makers) I aborted the mission. Ollie can verify all this.

EXHIBIT
DTR-36

Upon my return, I debriefred the trip and once more recommended against carrying on the arms connection but waiting them out on the political dialogue.

Now this is a far cry from the way Regan is supposed to be reporting it John. I have supported the idea of the political dialogue but time and again, have registered my opposition to the arms deal. You know that.

If any of these reports of what Regan is saying are true--they are supposed to be in Time and Newsweek on Monday--it will be cause for a libel suit by me.

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UE 15

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I am per[illegible] [illegible]ing to carry on the no comment approach; that seems to me to best serve the hope of preserving the position of Rafsanjani et al. But I won't tolerate lies from Don Regan.
John, it might be useful for you to try to find out from Don or by asking the mags directly, just what they are running with. I have made no comment (other than the "fanciful and fictitious" line in my Cleveland Q&A) and will not.

Take care.

N 7502

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EXHIBIT DTR-37

*** MESSAGE [redacted] -- WHITE HOUSE COMMUNICATI[redacted] UNCLASSIFIED PAGE 00010

N 17586

EXHIBIT
DTR-37

*** Reply to note of 10/01/86 20:39 -- ~~SECRET~~ --

NOTE FROM: JOHN POINDEXTER
Subject: Iran & Iraq

We have quite a bit of news on that front. It looks promising. We have made contact with Rafsanjani's ( ) Two meetings so far. One here in US. Ollie, Cave and Secord met with him this weekend in Frankfurt. Your trip to Tehran paid off. You did get through to the top. They are playing our line back to us. They are worried about Soviets, Afghanistan and their economy. They realize the hostages are obstacle to any productive relationship with us. They want to remove the obstacle. ( ) has been in Beirut, says he has good news for Frankfurt. We shall see. Still insisting on group release. If this comes off may ask you to do second round after hostages are back. Keep your fingers crossed.

Wam & Rgds

NSC FROM: NSOLN --CPUA TO: NSRCM --CPUA 10/03/86 22:00:16
cc: NSRCM , CPUA

** Reply to note of 10/01/86 20:36
NOTE FROM: OLIVER NORTH
Subject: Hostages

I am sadly derelict in answering the mail. Rafsanjani's ( ) came into contact with us through Dick Secord who met him in Brussels while arranging a pick-up for our friends in a certain resistance movement. With Casey's assistance we brought ( ) here two weekends ago and we convinced each other that we really are speaking for each other's governments. ( ) has promised a "quick resolution to the obstacle" (i.e., the hostages) that prevents our two governments from entering into a "strategic relationship" that will allow them to end the I/I war "honorably." If you have a free minute at some point it wd be good to get together so that you can review the transcripts of the tapes we made during the meeting here and those I will make after today's meeting.]

[If the Lord is willing, we (George, Dick and North) will be back on Tuesday -- though he has indicated that he would like to have a "follow-on" with us very soon. Hopefully, that means we could have a release quickly resulting in a substantive discussion of the USG/IRG relationship immediately. If you wish, Bob Earl - who is lockstepping me here - can make this available to you while I am gone. Pls forgive for my inordinate delay in answering yr earlier notes - it has been an even more difficult time than usual. On the project on Contra, agree w/ yr assessment - but wd like to talk w/ you further on how we can build a group of responsible Republicans and Democrats which can support our story AND legitimate non-CIA-supportable financial needs of UNO (e.g. travel, [illegible], publications, etc.). This is a real need that is not being met. More on return. Warmest regards to you & Jonny. v/r North

Hostages

FROM: NSJMP --CPUA TO: NSRCM --CPUA 11/07/86 22:55:05
cc: NSOLN --CPUA

** Reply to note of 11/07/86 20:10 -- ~~SECRET~~ --

NOTE FROM: JOHN POINDEXTER
Subject: [illegible]

Bud, I will check with him in the morning. I frankly doubt that he did what

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TO: [illegible] [redacted] -- WHITE HOUSE COMMUNICATIONS [illegible]

PAGE 00001

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N 17587

...o support. I had breakfast with him this morning and he agreed that he would keep his mouth shut. I will see what I can find out and will call you. I wish everybody would calm down a bit on this. We have a damn good story to tell when we are ready. Right now would be an absolutely stupid time for the Administration to say anything. We stand a chance of getting [illegible] in control of the government. I think he purposefully reported on some visit separately so we would have a chance to deny it if we wanted or at least say that he was doing it for domestic consumption. He has already sent out a message that he wants another meeting.

Will be back in touch.
Warmest Regards,

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

(261)

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by [illegible] Reger, National Security Council

EXHIBIT DTR-38

5:55 p.m.
Permanent guidance

UNCLASSIFIED S 05302

Iran Press Guidance

Q: About McFarlane or spare parts or arms to Iran?

A: We have no comment on these reports. As long as there are American hostages being held in the Middle East we will not be responding to questions like this. A simple no comment will be made to all questions about talks or actions that might or might not be taking place. You should infer nothing to these responses.

Q: Does the U.S. still have an arms embargo against Iran in the Iran-Iraq War?

A: As long as Iran advocates the use of terrorism, the U.S. [redacted] arms embargo will continue. [redacted] Moreover, the U.S. position on the Iran-Iraq war remains that the fighting should stop and the two sides should reach a negotiated settlement of their dispute. We favor an outcome wherein there are no winners or losers.

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EXHIBIT DTR-39

UNCLASSIFIE 11/8/86 10 48 29

~~SECRET~~

NOTE FROM: ROBERT MCFARLANE N 7499

SUBJECT: Good Morning

I've been out of town for two days, as I guess you have too. After five months without one speech, for some reason I have had to do two of them on the same day. Both were followed by Q&A with the first questions being on the Iranian headlines. I replied that I could not comment but would welcome the chance to do so at the appropriate time in order to correct what have been "fanciful and largely fictitious" stories.

Although Caroline tells me that I have had hndreds of calls, I have refused all of them and will continue to do so. I have been told on very good authority however, that Don Regan is beginning to brief on this laying the whole thing at my feet.

I am proud of what we have set in motion and believe it may still have some promise especially in the context of restoring some stability in the relationship with Iran which has always been my motive as you know. Similarly I have always been against dealing with Gorbanifar. But none of this need be a matter of public record. [redacted] If so, we ought to get on with it ASAP. We have about two months to get something accomplished before the tide of congressional investigations overwhelm us. It is a good story to tell as it stands; it can be better.

Let's stay in touch.

EXHIBIT
DTR-39

6 May 1987

QE 13
12/5

312

Exhibit DTR-40

[redacted]

3 05542

EXHIBIT
DTR-40

11/10/86 3:00PM.

PRESS STATEMENT ON HOSTAGE SITUATION

The President today met with his senior national security advisors regarding the status of the American hostages in Lebanon. The meeting was prompted by the President's concern for the safety of the remaining hostages and his fear that the spate of speculative stories which have arisen since the release of David Jacobsen may put them and others at risk.

During the meeting, the President reviewed on-going efforts to achieve the release of all the hostages, as well as our other broad policy concerns in the Middle East and Persian Gulf. As has been the case in similar meetings with the President and his senior advisers on this matter, there was unanimous support for the President. While specific decisions discussed at the meeting cannot be divulged, the President did ask it be reemphasized that no U.S. laws have been or will be violated and that our policy of not making concessions to terrorists remains intact.

At the conclusion of the meeting, the President made it clear to all that he appreciated their support and efforts to gain the safe release of all the hostages. Stressing the fact that hostage lives are at stake, the President asked his advisers to ensure that their departments refrain from making comments or speculating about these matters.

Exhibit DTR–41

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11 30 11/10

Cap, Shultz, Regan, Pres, VP, Poindexter, Keel, Casey

N 10378

Pres: - need stmt (all of us)

① no bargaining w/ [illegible]

(no ransom for terrorists

② Also, international Foreign Interest

(hope for moderate gov't)

-- what happens after the Ayatollah

(we can't talk about)

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JMP: - main consideration long term strategic relationship

① support moderates

② stop terrorism —

③ release hostages

EXHIBIT DTR-41

Jan 17, 1986

- Read finding, (not all of you have seen

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- Initially ~~[illegible]~~ used Israeli channel

-- found worrisome in [redacted]

(obj. [redacted]

also, want and moderate Iran,

also need and want to keep Iran going

(keeps off Iraq back)

2268

- May 1986 (Bud's trip to Tehran

Iran: -- Channel's initially [redacted]

-- now Rafsanjani

-- "cannot discuss problem"

AK- 1/21/87

Hostages: - Lebanon

- [redacted]

- Kuwait

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② UNCLASSIFIED

o Bud went May 1986 (only trip) N 1037
-- ~~[illegible]~~ sold 1000 TOWs
-- sold = 290 types of Hawk pa
① 1st 500 TOW's went w/o permission
-- we found out, eventually re-imburse Israel

Ed: - We didn't sell (Israel sold)
- was multi-phased transaction.

JMP: - Important to note:
-- defensive arms
-- small amount
-- my opinion, now a show of good

: Results:
-- after Weir, Jenco, Jacobsen, South has no more hostages [illegible]
-- solid contact w/ Rafsanjani
-- convinced of Soviet threat (convinced can't win war)
-- ~~[illegible]~~ accept resolution
-- employed anti terrorism
-- gotten three hostages back

: Sitn today:

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-- three factions
[illegible] 000, of [illegible]

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N 10380

-- Convinced interested in ending war

[redacted]

-- Third group is radical: Khomeini

[redacted] who is
playing, but associate w/ [redacted]
[redacted] primary contact w/ [redacted]
: contact w/ group that took
those most recent Terrorists

-- Rafsanjani arrested: accused w/ treason

-- [redacted] published pamphlet
smuggled in pro-Syrian magazine

-- Rafsanjani forced to speak-out:
-- purposely told inaccuracies

-- Ref: pleased to not concur
:- wants strategic relationship

-- 200 ~~[illegible]~~ already

(OLN just back; believes once we're
w/ Casey group, some might get the
more hostages by week-end)

JMP: Relationships

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N 1038

[redacted]

Planning: CPPG - long term strategy
(want to get agencies & coal

Cong: contacted numerous members
-- all ok, except Byrd

CAP: - called Nunn today
- not helpful : SCS past Nagle
: this ile

~~CAP~~:

Shultz: - how did ~~[illegible]~~ last 500 come a
- who arranged?

JMP: - Casey's guys, my guys in Oct

CAP: I thought we'd agreed no more a
first 500, unless got all capt

JMP: just always come back to Pres, he
agreed to go ahead.

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(3)

UNCLASSIFIED UNCLASSIFIED
N 10382

Meese: .. who's holding?
JMP/Casey: - Lebanon
Meese: important not Iran, [illegible] not deal w/ terrorists, trading for hostages
Shultz: - careful ~~[illegible]~~ how we say
- ~~[illegible]~~ remember Bud's elaborate scheme: hostages to go here, if this, then (from my gov "snapshot" of [illegible])
- seldom is [illegible]
Meese: had same as Daniloff/Zakharov
.. obviously related but not trade

Pres: .. not mere ~~[illegible]~~ getting influence of Iran and rescue

Shultz: .. not sure what's diff;
.. our good posture is strong, e.g., w/ ~~[illegible]~~ in actual rel w/ Iran
.. can't go higher than what JMP [illegible]
.. have to be careful how say; would not say something that's technically cor but not exactly representative of what we've done
CAP: - Concern re how much we tell [illegible]
- how much, not give our basis for [illegible] many getting [illegible] w/ us.

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N 10383

Casey: - Need strict re our objectives
- has been strategic obj to improve prospect for moderate govt
- Proposed statement:

CAP: ① Anticipate question
② Cong. hearings

Poin: - rumors / rumors has endangered what we're doing
- endangered our contacts
- on evidence, - had non mil in Iran.
  - not trying to deal with Khomeini
  - purpose of govt - to get on their support

- can't do Q&A (because of danger
- ~~[illegible]~~ our hostages) lives
-

Shultz: - agree re purpose of govt to protect citizens; but whole purpose is to protect by discouraging terrorism
: ① concern that juxtaposition does appear [illegible] for hostages
② concern signed agreement & no strategic sign re arms,

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~~TOP SECRET~~

N 10384

[illegible] and feel that Iranian involved
in so they could get what they want
(money [illegible])

③ Re [redacted] they need - particularly
that Iran cru. strategic posi.

Good statement, but must be careful.

CAP: ① emphasize that relationship [illegible]
important (people at risk)

JMP: ① if we go w/ this, end of our relationship

Pres: - we don't talk TOW's, don't talk
specifics
- [illegible] of nature, no Q&A's —

Regan: ① - Will need to say something
to thinking people (not press)

Pres: ① Basic thread has to come out
.. not paying ransom
(not negotiating)
(not dealing w/ kidnappers/terrorists
.. w/in rational policy
(avoid specifics, declare
consistent w/ our policy
won't engage in speculation
(that [illegible], lives hostages)

UNCLASSIFIED ~~TOP SECRET~~

N 10385

JMP: now about what ~~[illegible]~~ not doing [redacted] & what ~~[illegible]~~ we are doing.

CAP: - hear [illegible] [redacted] get repudiation [redacted]

Meese: - get away from [illegible] people [illegible] [redacted]

UP: ① What about [illegible] [redacted]

Pres: ① what [illegible] carry [illegible]
.. tell them we will take a chance
: ② Aimed at people

Regan: ① Who will issue Q&A's

Meese/Pres./Casey: ① no Q&A's

Shultz: - what about anti terrorist group (state of total demoralization)
Pres: say no; no dickering w/ terrorists

Shultz: - do we trade any more arms for hostages

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~~TOP SECR~~ ~~10~~386
N 10386

Pres. - appreciate [illegible] you support [illegible]
~~[illegible]~~ [illegible]

- will not [illegible]

Nixon: appeal

Strauss: [illegible] [illegible] [illegible] can't be [illegible] where [illegible]

Pres. - [illegible] [illegible] [illegible] help [illegible]

JMP: action of people [illegible] conventions

Nixon - put in Strauss

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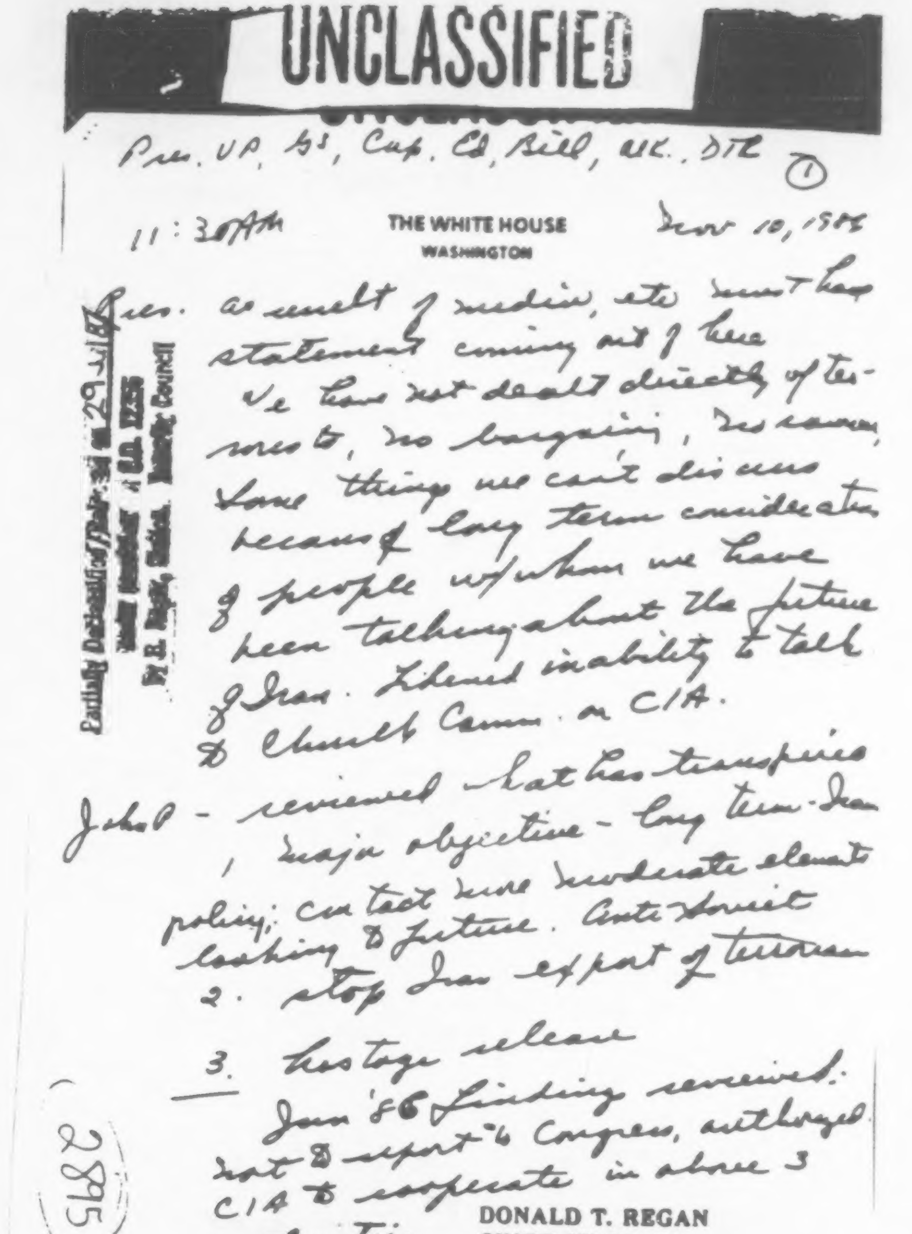

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Pres. VP, GS, Cap. Ed, Bill, JP, DTR ①

11:30 AM

THE WHITE HOUSE
WASHINGTON

Nov 10, 1986

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by B. Reger, National Security Council

Pres. as result of media, etc. must have statement coming out of here

We have not dealt directly w/ terrorists, no bargaining, no ransom,

Some things we can't discuss because of long term consideration of people w/whom we have been talking about the future of Iran. Likened inability to talk to Church Comm. on CIA.

JohnP – reviewed what has transpired

1, major objective – long term – Iran policy; contact more moderate elements looking to future. Anti-Soviet

2. stop Iran export of terrorism

3. hostage release

Jan '86 finding reviewed: not to report to Congress, authorized CIA to cooperate in above 3 activities

DONALD T. REGAN
CHIEF OF STAFF

Initial channel – Israel – stumbled on this tracking down its shipments to Iran – Cooperated

2895

EXHIBIT
DTR-41A

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[redacted]

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③

THE WHITE HOUSE
WASHINGTON

Begin, Peres, Shamir. [redacted] Also long range relationship & keep Iran / Iraq war going as long as possible.

Used Israel arms contact. Gorbanifar inside, [redacted] intermediate level—

Bud to Tehran in May '86 not productive. So turned to [redacted] of Rasanjali (?) speaker of Majlis. [redacted]

Demand—release of 17 Dawa prisoners in Kuwait. Pres said no. No dealing, will not put any request to Emir of K—.

DONALD T. REGAN
CHIEF OF STAFF

Bud in Tehran in May '86 – only trip. Sold to Iranians by Israel for cash 1000 TOW missiles, 240 Hawk missiles

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THE WHITE HOUSE
WASHINGTON

③

battery spare parts (small ship-ment)

1st 500 TOW shipped by Israelis to Iran. We told after the fact Pres did agree to replenish those for Israel. We were paid by Israeli who we

Battery parts shipped to Israel then to Iran. Iran pd Is. who paid us

500 more TOWs sent last week from Israel; we OKd in advance — will replenish

all are defensive weapons, are minimum amts. Good faith shown by us

set meeting in U.S. by Rafsanjani [redacted] to show legitimacy of operation

Results:

DONALD T. REGAN
CHIEF OF STAFF

Buckley, Weir, Anderson, Sutherland, Jacobsen, & Jenco.

after these 6, no more hostages for a year at six mos times,

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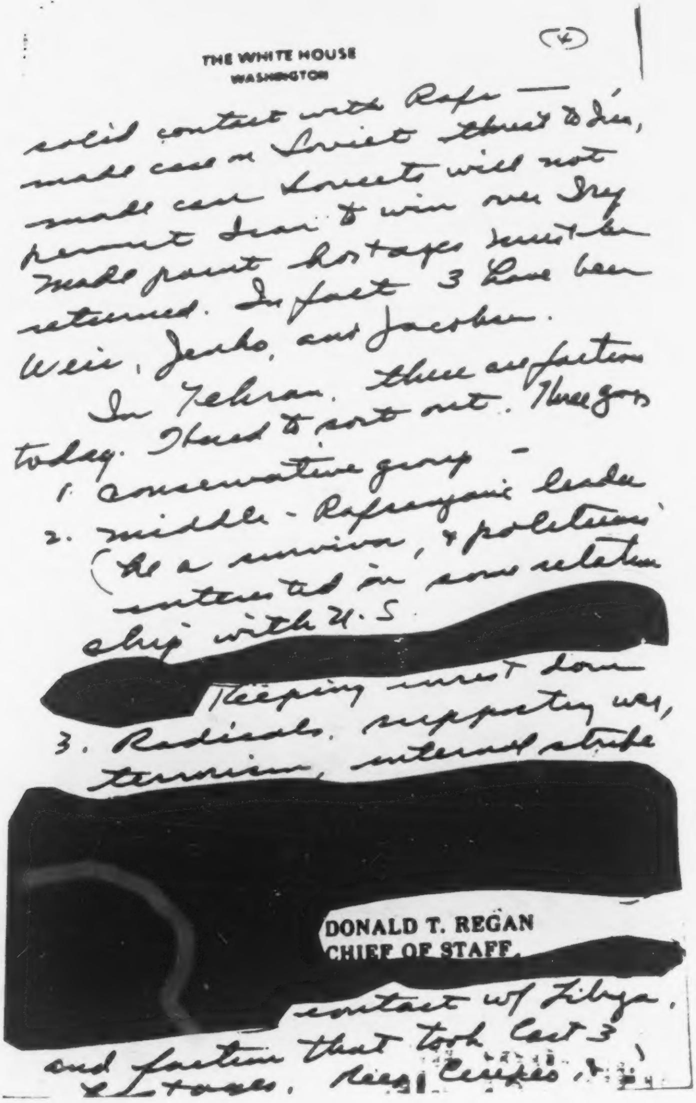

(4)

THE WHITE HOUSE
WASHINGTON

solid contact with Rafs —
made case on Soviet threat to Iran,
made case Soviets will not
permit Iran to win over Iraq
Made point hostages must be
returned. In fact 3 have been
Weir, Jenko, and Jacobsen.
In Tehran. there are factions
I had to sort out. Three groups
today.
1. conservative group —
2. middle - Rafsanjani leader
(he a survivor, & politician)
interested in some relation-
ship with U.S. [redacted]
Keeping unrest down
3. Radicals. supporting war,
terrorism, internal strife

[redacted]

DONALD T. REGAN
CHIEF OF STAFF

contact w/ Libya,
and faction that took last 3
hostages. Reed, Cicippio, [illegible]

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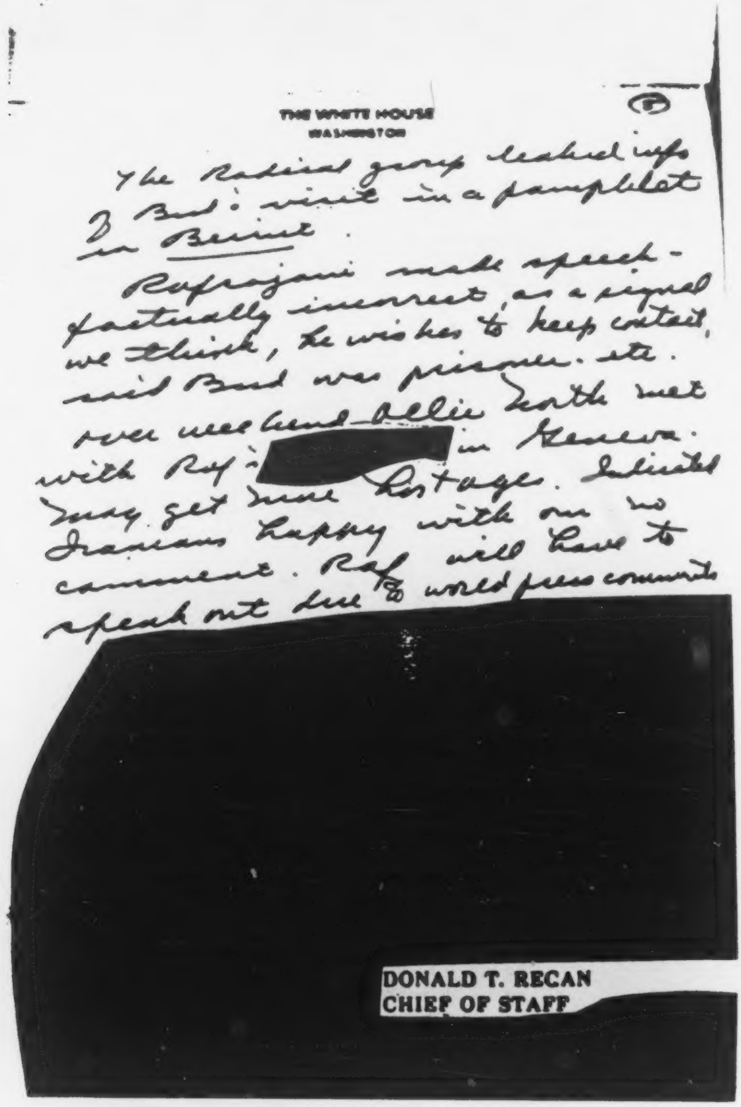


THE WHITE HOUSE
WASHINGTON

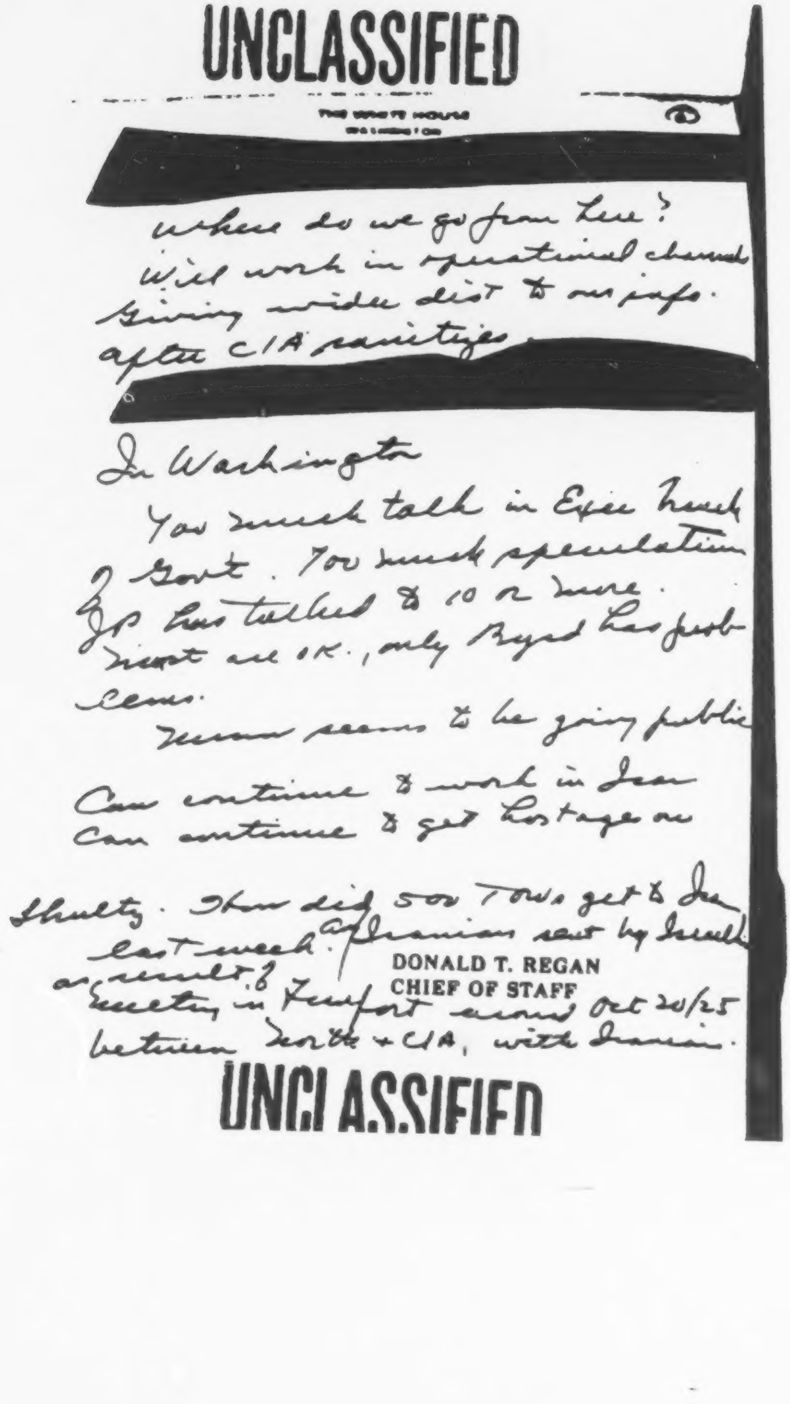
⑤

The Radical group leaked info
of Bud's visit in a pamphlet
in Beirut.

Rafsanjani made speech –
factually incorrect, as a signal
we think, he wishes to keep contact,
said Bud was prisoner. etc.
over weekend Ollie North met
with Raf's [redacted] in Geneva.
Indicated
may get more hostage.
Iranians happy with our no
comment. Raf will have to
speak out due to world press comments

[redacted]

DONALD T. REGAN
CHIEF OF STAFF



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THE WHITE HOUSE
WASHINGTON

②

[redacted]

where do we go from here?
Will work in operational channel
Giving wider dist to our info.
after CIA sanitizes.

[redacted]

In Washington
Too much talk in Exec Branch
of Govt. Too much speculation
JP has talked to 10 or more.
Most all OK., only Byrd has problems.
[illegible] seems to be going public

Can continue to work in Iran
Can continue to get hostages out

Shultz. How did 500 TOWs get to Iran
last week. A/ Iranians sent by Israel
as result of
meeting in Frankfurt around Oct 20/25
between North + CIA, with Iranian.

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(7)

Tried this one more time even tho we said no more because of hostage release imminent.

Various questions about hostages, who holds, where, etc. Cap, Ed, George, John answering. Bill occasionally.

Iranians are not holding hostages, can influence those holding at times, and not quickly.

Shultz - be careful of linkage between hostages and defense equipment.

Meese - we have not dealt directly with terrorists

Pres - Terrorists have not profited. We let Iranians buy supplies & they influenced. No benefits to terrorists. We working with

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Moderates hoping in future to be able to influence Iran after Khomeini dies.

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⑧

Shultz. It is serious. But we
have made more good contacts in
Iran than he was aware of.
Should pursue. But must not
gild lily. Some undesirable
effects of these actions. We are
paying a high price.

Afraid of technically correct
statements that are not fully
descriptive - could get us into
trouble.

Cap - Q. on reliability of Rafsanjani
His statements blew us out of
water in our way.

Cas we are not relying on
him as being "our man". But
our CIA experts have been par-
ticipating, [redacted]

It is clear they are
trying to find a way out

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Bill all of people are convinced these
are best to work with - but don't

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⑤

go all out to rely on Raf — We are feeling him out.

Bill — we have a good public position if we put it out in a simple way.

He read a prepared statemen putting emphasis on long range relationships with Iran as reason for contacts. Deemphasize hostage. deny arms sales that tip balance between Iran / Iraq.

Pres We should put out statement — show we do want to get hostages back, but Iranian contacts wer for long range, won't deal with terrorists, nor ransom

But cannot get into Q & A re hostages so as not to endang them.

Shultz - Agree our responsibility to after citizens

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Won't deal with hostage so as not to expose others to kidnappin

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(10)

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juxtaposition of hostage and arms shipments must not be shown. Don't know exact linkage.

Caution on over assertion that arms shipments were small and inconsequential. Can't keep others in line if we OK sale. Thinks Israeli suckered us into this ~~[illegible]~~ so we can't complain of their sales.

Thinks statement should be issued, & is a good one.

Use Daniloff as an example of non linkage.

Meese - each of these is a set of complex incidents, not related

No ransom, no money to Hizballah

- intriguing to help moderates in Iran who also tried to help us.

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Pres We must say something but not much

John If we go with this we lead our

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(11)

Iranian contacts

DTR Must get a statement out now, we are being attacked, and we are being hurt. Losing credibility.

JP – No statement needed. News has peaked. No hearings until Jan, so should not say anything

Pres. – Must say something because I'm being held out to dry. I have not dealt with terrorists, don't know who they are. This is long range Iranian policy.

No further speculation or answers so as not to endanger hostages. We won't pay any money, or give anything to terrorists

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JP Say less about what we are doing, more about what we are not doing

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Cap. Be accused of Raf. & Israel & blackmail.

What we say will be repudiated.

Ed - We are saying only what we did and know has happened.

No violation of laws & policy

VP - In any case a private or public endeavor to sell arms to Iran.

ans probably private with govt knowledge.

VP Israel may try to squeeze us.

Shultz - Finding was not known to me from Jan to Nov - amazing

JP. Came as result of meeting in Quarters in Jan. Everyone gave his opinion. Drawn up by NSC, CIA, DOJ thru John, Bill, & Ed & their lawyers. Sent to Pres & signed in Jan.

(DTR found out not till last week in conv. w/ JP

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(15)

Geo - asked question about what if they ask for more than what they have received.

JP - Cannot tie hands that way.

WJC - Should answer Geo's question later in week.

Geo - no debriefing - what to say.

Pres Support Pres' policy but say nothing else due to danger to hostage

Geo Support Iran long range policy of contact
Know support for weapons for hostages

Pres Side with mil superiority will win. We want to have things even. This helps Iran which was weaker.

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(14)

Sec Keep things in these channels that are more or less official & keep secret.

DTR Lets face it - we kept secret. Iranians released info.

All Try & get statement to face as many facts as possible.

adjourned 1:05 P.M.

[redacted]

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1

Late in afternoon

John, & Ed went over Bill's paper. A lot of info cut out by Ollie & others at NSC due to their conversations w/ Iranians in Geneva over weekend (possible release of 2, maybe all 5; we arguing Cong inquiries demand a speedup, or we have to withdraw)

John got signoffs Cap, Ed, Bill & Pres.; unable to contact Geo enroute to S.A.

Told John, he should proceed for evening news release –

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EXHIBIT DTR-42

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THE WHITE HOUSE

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440275

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NOTED BY DTR

JL003-03

SP1111

November 12, 1986

EXHIBIT

DTR-42

13749

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR THE CHIEF OF STAFF

FROM: PAT BUCHANAN PJB

SUBJECT: IRANIAN/HOSTAGES ISSUE

This may be redundant, but you ought to know that we face a grave communications problem over this Iranian/Hostages Issue. The appearance of things is that we have negotiated with a terrorist regime more detested by the American people than the Soviet Union, that we have paid in spare parts and military equipment for our hostages, that we violated our policy and traduced our principles, that we are now stonewalling. Not since I came here has there appeared such an issue which could do such deep and permanent damage to the President's standing. I realize this is all being held extremely tight, for obviously good reasons, but we have already witnessed some jubilant assaults upon Ronald Reagan's reputation for principle -- from his enemies -- and some bitter assaults from some of his friends. (We got them on the weekend shows.) We are fortunate Congress is out.

However, the best response on this, I should think, would be earliest and fullest disclosure of what we did, what we attempted, why, etc. The story will not die, until some much fuller explanation -- giving our arguments -- is provided.

Prediction: If we wait three weeks, the President's approval will be down in the mid-fifties at best.

I agree [illegible]
[illegible] week, we are going to [illegible]
[illegible] Thurs (Tues). Finally [illegible]
[illegible], but I hope [illegible]
[illegible] with you Thurs [illegible]

11/12/86

[illegible]/Released on 29 Jul 87 under provisions of E.O. 12356 by B. Reger, National Security Council

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2871

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Handwritten note on document N13749:

> "I agree, and have so advocated for a week, we are going to do something on Thurs(tmrw). Finally. Its late, but I hope not too late. Will check with you Thurs A.M."

Don

11/12/86

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Exhibit DTR-43

UNCLASSIFIED

N 10375

AK-2
1/12/87
[illegible]
1 container
1 AK-[illegible]

~~TOP SECRET~~

EYES ONLY

DR, ALTON KEEL, JR

~~TOP SECRET~~

EXHIBIT
DTR-43

2853

Declassified/Released on 29 Jul 87
under provisions of E.O. 12356
by B. Reger, National Security Council

UNCLASSIFIED PDB

N 10376

~~TOP SECRET~~

~~TOP S~~

• Pres: - Go public w/ statement
-- carrying out Iran - policy that began before this date
-- no ransom paid, nor will be paid
-- no concession to terrorists
- But they/were not in Tehran - Sept., this didn't happen, that didn't happen

** - note to Weir, Jenco that they were not ransomed

- like to make statement [illegible] myself

• Regan: ① - tough one
- sacrificing Pres cred, on behalf hostages
- Wirthlin said cred dropping like a rock
- delay of more than 48 hrs, permanently harming this Adm

② a) Baker, Byrd, others: - Pres talk w/, the Poindexter
b) Pres - press conf to explain

• Pres: Statement
-- nothing illegal - relations w/ Iran
-- policy w/ Dem ^began 1979
nothing to alter mil balance w/ Iraq Iran
-- policy same
-- no ransom paid

AK-3
1/2/87
x WK

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N 10377

-- can't discuss channels
-- because might not to endanger lives of
people involved

Pres: can we do in radio
Regan: I'd do Fri, following

JMP: ① Give Hill detailed briefing
-- tell Regan
-- ask ~~[illegible]~~ advice
-- seek coop from Hill

Pres: -- Say why we can't go further
-- no ransom
(irresponsible to speculate)
-- where ever we can point to flat
Denial -- Bud not in Tehran in Sept
-- [illegible]
AK: Danish sailors

JMP: - Sit down
- Pres start
Regan: - 2 p.m. today if possible
JMP: Carter/Brzy contact

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EXHIBIT DTR-44

Weekly Compilation of

Presidential Documents

Monday, November 17, 1986
Volume 22—Number 46
Pages 1549–1572

EXHIBIT
DTR-44

er united and committed to this cause, I think we represent a powerful force for humanity. And when that happens, there'll be no sanctuary on Earth for those who were pilfering human dignity and pandering despair.

So, I'm counting on all of you, and I'm looking forward to hearing your views now. Maybe you've heard enough from all of us at this side.

Note: The President spoke at 1:35 p.m. in the Cabinet Room at the White House.

U.S. Ambassadors to 21 countries attended the 2-day conference, which was held at the White House.

Iran-United States Relations

Address to the Nation. November 13, 1986

Good evening.

I know you've been reading, seeing, and hearing a lot of stories the past several days attributed to Danish sailors, unnamed observers at Italian ports and Spanish harbors, and especially unnamed government officials of my administration. Well, now you're going to hear the facts from a White House source, and you know my name.

I wanted this time to talk with you about an extremely sensitive and profoundly important matter of foreign policy. For 18 months now we have had underway a secret diplomatic initiative to Iran. That initiative was undertaken for the simplest and best of reasons: to renew a relationship with the nation of Iran, to bring an honorable end to the bloody 6-year war between Iran and Iraq, to eliminate state-sponsored terrorism and subversion, and to effect the safe return of all hostages. Without Iran's cooperation, we cannot bring an end to the Persian Gulf war; without Iran's concurrence, there can be no enduring peace in the Middle East.

For 10 days now, the American and world press have been full of reports and rumors about this initiative and these objectives. Now, my fellow Americans, there's an old saying that nothing spreads so quickly as a rumor. So, I thought it was time to speak with you directly, to tell you firsthand about our dealings with Iran. As Will Rogers once said, "Rumor travels faster, but it don't stay put as long as truth." So, let's get to the facts.

The charge has been made that the United States has shipped weapons to Iran as ransom payment for the release of American hostages in Lebanon, that the United States undercut its allies and secretly violated American policy against trafficking with terrorists. Those charges are utterly false. The United States has not made concessions to those who hold our people captive in Lebanon. And we will not. The United States has not swapped boatloads or planeloads of American weapons for the return of American hostages. And we will not.

Other reports have surfaced alleging U.S. involvement: reports of a sealift to Iran using Danish ships to carry American arms; of vessels in Spanish ports being employed in secret U.S. arms shipments; of Italian ports being used; of the U.S. sending spare parts and weapons for combat aircraft. All these reports are quite exciting, but as far as we're concerned, not one of them is true.

During the course of our secret discussions, I authorized the transfer of small amounts of defensive weapons and spare parts for defensive systems to Iran. My purpose was to convince Tehran that our negotiators were acting with my authority, to send a signal that the United States was prepared to replace the animosity between us with a new relationship. These modest deliveries, taken together, could easily fit into a single cargo plane. They could not, taken together, affect the outcome of the 6-year war between Iran and Iraq nor could they affect in any way the military balance between the two countries.

Those with whom we were in contact took considerable risks and needed a signal of our serious intent if they were to carry on and broaden the dialog. At the same time we undertook this initiative, we made clear that Iran must oppose all forms of international terrorism as a condition of progress in our relationship. The most significant step which Iran could take, we indicated, would be to use its influence in Lebanon to secure the release of all hostages held there.

Some progress has already been made. Since U.S. Government contact began with Iran, there's been no evidence of Iranian Government complicity in acts of terrorism against the United States. Hostages have come home, and we welcome the efforts that the Government of Iran has taken in the past and is currently undertaking.

But why, you might ask, is any relationship with Iran important to the United States?

Iran encompasses some of the most critical geography in the world. It lies between the Soviet Union and access to the warm waters of the Indian Ocean. Geography explains why the Soviet Union has sent an army into Afghanistan to dominate that country and, if they could, Iran and Pakistan. Iran's geography gives it a critical position from which adversaries could interfere with oil flows from the Arab States that border the Persian Gulf. Apart from geography, Iran's oil deposits are important to the long-term health of the world economy.

For these reasons, it is in our national interest to watch for changes within Iran that might offer hope for an improved relationship. Until last year there was little to justify that hope.

Indeed, we have bitter and enduring disagreements that persist today. At the heart of our quarrel has been Iran's past sponsorship of international terrorism. Iranian policy has been devoted to expelling all Western influence from the Middle East. We cannot abide that because our interests in the Middle East are vital. At the same time, we seek no territory or special position in Iran. The Iranian revolution is a fact of history, but between American and Iranian basic national interests there need be no permanent conflict.

Since 1983 various countries have made overtures to stimulate direct contact between the United States and Iran; European, Near East, and Far East countries have attempted to serve as intermediaries. Despite a U.S. willingness to proceed, none of these overtures bore fruit. With this history in mind, we were receptive last year when we were alerted to the possibility of establishing a direct dialog with Iranian officials.

Now, let me repeat: America's longstanding goals in the region have been to help preserve Iran's independence from Soviet domination; to bring an honorable end to the bloody Iran-Iraq war; to halt the export of subversion and terrorism in the region. A major impediment to those goals has been an absence of dialog, a cutoff in communication between us. It's because of Iran's strategic importance and its influence in the Islamic world that we chose to probe for a better relationship between our countries.

Our discussions continued into the spring of this year. Based upon the progress we felt we had made, we sought to raise the diplomatic level of contacts. A meeting was arranged in Tehran. I then asked my former national security adviser, Robert McFarlane, to undertake a secret mission and gave him explicit instructions. I asked him to go to Iran to open a dialog, making stark and clear our basic objectives and disagreements. The 4 days of talks were conducted in a civil fashion, and American personnel were not mistreated. Since then, the dialog has continued and step-by-step progress continues to be made.

Let me repeat: Our interests are clearly served by opening a dialog with Iran and thereby helping to end the Iran-Iraq war. That war has dragged on for more than 6 years, with no prospect of a negotiated settlement. The slaughter on both sides has been enormous, and the adverse economic and political consequences for that vital region of the world have been growing. We sought to establish communication with both sides in that senseless struggle, so that we could assist in bringing about a ceasefire and, eventually, a settlement. We have sought to be evenhanded by working with both sides and with other interested nations to prevent a widening of the war.

This sensitive undertaking has entailed great risk for those involved. There is no question but that we could never have begun or continued this dialog had the initiative been disclosed earlier. Due to the publicity of the past week, the entire initiative is very much at risk today.

There is ample precedent in our history for this kind of secret diplomacy. In 1971 then-President Nixon sent his national security adviser on a secret mission to China. In that case, as today, there was a basic requirement for discretion and for a sensitivity to the situation in the nation we were attempting to engage.

Since the welcome return of former hostage David Jacobsen, there has been unprecedented speculation and countless reports that have not only been wrong but have been potentially dangerous to the hostages and destructive of the opportunity before us. The efforts of courageous people like Terry Waite have been jeopardized. So extensive have been the false rumors and erroneous reports that the risks of remaining silent now exceed the risks of speaking out. And that's why I decided to address you tonight.

It's been widely reported, for example, that the Congress, as well as top executive branch officials, were circumvented. Although the efforts we undertook were highly sensitive and involvement of government officials was limited to those with a strict need to know, all appropriate Cabinet officers were fully consulted. The actions I authorized were, and continue to be, in full compliance with Federal law. And the relevant committees of Congress are being, and will be, fully informed.

Another charge is that we have tilted toward Iran in the Gulf war. This, too, is unfounded. We have consistently condemned the violence on both sides. We have consistently sought a negotiated settlement that preserves the territorial integrity of both nations. The overtures we've made to the Government of Iran have not been a shift to supporting one side over the other, rather, it has been a diplomatic initiative to gain some degree of access and influence within Iran—as well as Iraq—and to bring about an honorable end to that bloody conflict. It is in the interests of all parties in the Gulf region to end that war as soon as possible.

To summarize: Our government has a firm policy not to capitulate to terrorist demands. That no concessions policy remains in force, in spite of the wildly speculative and false stories about arms for hostages and alleged ransom payments. We did not—repeat—did not trade weapons or anything else for hostages nor will we. Those who think that we have gone soft on terrorism should take up the question with Colonel Qadhafi.

We have not, nor will we capitulate to terrorists. We will, however, get on with advancing the vital interests of our great nation—in spite of terrorists and radicals who seek to sabotage our efforts and immobilize the United States. Our goals have been, and remain, to restore a relationship with Iran; to bring an honorable end to the war in the Gulf; to bring a halt to state-supported terror in the Middle East; and finally, to effect the safe return of all hostages from Lebanon.

As President, I've always operated on the belief that, given the facts, the American people will make the right decision. I believe that to be true now. I cannot guarantee the outcome. But as in the past, I ask for your support because I believe you share the hope for peace in the Middle East, for freedom for all hostages, and for a world free of terrorism. Certainly there are risks in this pursuit, but there are greater risks if we do not persevere.

It will take patience and understanding; it will take continued resistance to those who commit terrorist acts; and it will take cooperation with all who seek to rid the world of this scourge.

Thank you, and God bless you.

Note: The President spoke at 8:01 p.m. from the Oval Office at the White House. The address was broadcast live on nationwide radio and television.

National Philanthropy Day, 1986

Remarks at a White House Briefing for Philanthropists. November 14, 1986

Thank you very much. I have just read a clipping this morning from the United Press that shows how the private sector is spreading and things of this kind in philanthropy; that the First Lady of the Soviet Union has been named to the board of directors of a private, and privately financed, group in the Soviet Union. But I appreciate this opportunity to be with you today in recognition of one of America's greatest national

EXHIBIT DTR-45

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<HEADER>
\MSG FROM: NSPST --CPUA
TO: NSOLN --CPUA

11/14/86 20:00:

N 19121

OTE FROM: PAUL THOMPSON
<SUBJECT>
SUBJECT: findingon Iran
<TEXT>
jmp would like to have the finding sent out to the principals involved in the instant national security decision(VP, Shultz, Weinberger, Casey, Meese, Regan) via the [redacted] channel.

cc: NSPLE --CPUA
NSAGF --CPUA ALTON G. KEEL
NSCPC --CPUA
NSRBM --CPUA

Partially Declassified/Released on 28 July 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

2269

\\
findingon Iran

EXHIBIT
DTR-45

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EXHIBIT DTR-46

From: NSRCM --CPUA Date and time 11/15/86 .-:34:47 (122)
To: NSOLN --CPUA

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11

N 28740

EXHIBIT
DTR-46

NOTE FROM: ROBERT MCFARLANE
Subject: Perspective
JMP is not aware that you have this.
*** Forwarding note from NSRCM --CPUA 11/15/86 14:33 ***
To: NSJMP --CPUA JOHN M. POINDEXTER

~~SECRET~~

NOTE FROM: ROBERT MCFARLANE
SUBJECT: Perspective

Jonny and I are leaving today to go to Chicago to see Melissa.perform in a play. I will also be giving a speech before the Simon Weisenthal center for the study of terrorism (I think the V.P. is also speaking there tonight).

But before leaving I wanted to write down some preliminaries on what we ought to expect here at home and abroad in the days ahead.

It is difficult to know whether or if so, when, public opinion can be altered here at home. I think time probably is on our side, conditioned upon whether something adverse happens in Iran with the "good guys." But I don't think we need be too pessimistic. Remember the other side had ten days to build the case in the public mind against us and we have only just begun to fight back. For what it is worth, I received a five-minute standing ovation when I laid out the whole story before the Young President's Organization audience. It has a very broad cross section of successful young, but small businessmen and is about evenly split between Demos and Republicans.

And even among journalists, I have found that the more I explain the more they begin to understand that this is not as superficial as they have portrayed it.

A major problem we face is that, quite apart from its substance, it is a vehicle for beating the President. So that motive will drive Democrats on the Hill into a frenzy. I think we need to work against that in a rather careful way. For example, I think the President's tone toward the Hill generally ought to be to reach out and seek cooperation. Any other approach will be suicidal. They control both houses. If he is serious about trying to accomplish something, he will need to try to build a core of Demos who will support. In today's radio speech, I sensed that perhaps Pat believes it is hopeless and has urged a strategy of running against the partisan demos in '88. That is irresponsible and I think, also bad politics, for Republicans are not yet a majority--we will need demos to win in '88. So point one is that the President's public remarks toward the Hill ought to conciliatory, not confrontational on all issues, not just this one. I am inclined to think that he ought to try to get a small group of Senators with integrity down to visit on this issue. The V.P.'s advice would be good on this. But a small group to include John Stennis, Lloyd Bentsen, maybe Peter Rodino and a few Republicans of similar credentials (e.g. Goldwater--after some softening up by me--Tower) and talk deliberately about the big picture. Now that may be basically wrong John. Your stress on how the President was preoccupied with the hostages--which is astonishing--might lead him to put the emphasis on that and lead people to the wrong conclusion. You are the best judge.

Apart from the President, I think it is essential that we have a communications game plan which deals with the editorial boards as well as the leading print and electronic journalists (although ruling out those who are

(1971) UNCLASSIFIED

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clearly irretrivable). And it ought to be a pro-active strategy. We cannot plead the sensitivity, although it better preserves the policy potential of the enterprise. Because the simple truth is that unless we make a better case than the opposition, the policy potential will be overwhelmed by new law anyway and we end up in the same place. And I also believe that if we believe what we say--that there really is a circle of sensible people in Iran, that they too must be brought to the awareness--by a long letter to them or by a thorough explanation in a meeting--that we are both of us at a moment of truth. If we are to carry this forward it will take some performance from them in ways that only they can judge but that we cannot avoid laying out the whole thing here.

If that is the way we decide to go--and I will abide by whatever you and the President decide--then I beleive I can help by being very active but not necessarily visible (although I don't oppose that) with editorial boards and in one-on-one sessions with Goldwater, Bentsen, Foley, Murtha, maybe Nunn, Lugar etc. But we cannot, I repeat cannot, hunker down on this and the Iranians must be told that. They may very well jump shir right away--I expect that that is likely--but they are not without vulnerabilities [redacted]

A final comment. I lived throught Watergate John. Well-meaning people who were in on the early planning of the communications strategy, didn't intend to lie but ultimately came around to it. I don't know how Regan will tend. He might choose two courses; either to push it off on someone outside the White House, which is fine with me, or he might go ahead with a "sell it on its merits" strategy. If the latter is the course followed, it must not be confrontational, but open and candid.

The judgments made on this and other matters in the next four or five days will be crucial. I will be glad to talk about when I return from Chicago on Tuesday if you wish.

cc: NSAGK --CPUA ALTON G. KEEL

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EXHIBIT DTR-47

1100 Pres. Press

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NATIONAL SECURITY COUNCIL
EXECUTIVE SECRETARY REFERRAL

TIME STAMP

N 34012 6172

CLOSE HOLD

SYSTEM I LOG NUMBER: 8306

☐ (FIRST DRAFT OF REMARKS)

ACTION OFFICER: **FOR RECORD PURPOSES** DUE: ____

☐ Prepare Memo McDaniel to Chew
☐ Prepare Memo McDaniel to Dolan
☐ Prepare Memo McDaniel to Speakes
☐ Prepare Memo ____ to ____
*** PUT RESPECTIVE STAFF OFFICER'S NAME IN MARGIN BESIDE CHANGES.

EXHIBIT DTR-47

CONCURRENCES/COMMENTS* DUE: ____
*PHONE to action officer at ext. ____

☐ Brooks
☐ Burghardt
☐ Burns
☐ Cannistraro
☐ Childress
☐ Cobb
☐ Danzansky
☐ deGraffenreid
☐ Dobriansky
☐ Donley
☐ Douglass
☐ Farrar
☐ Grimes
☒ Henley
☐ Kelly
☐ Kissell
☐ Kraemer
☐ Laux

☐ Levin
☐ Linhard
☐ Lenczowski
☐ Levine
☐ Mahley
☐ Major
☐ Mandel
☐ Matlock
☐ May
☐ Mingle
☐ Morton
☐ Murdock
☒ North
☐ Perry
☐ Platt
☐ Pugliaresi
☐ Raymond
☐ Reger

2890

☒ Ross
☐ Sable
☐ Sachs
☐ Saunders
☐ Sestanovich
☐ Small
☐ Sommer
☐ Soos
☐ Stark
☐ Steiner
☐ St Martin
☐ Tahir-Kheli
☒ Teicher
☐ Thompson
☐ Tillman
☐ ____
☐ ____
☐ ____

Declassified/Released on 21 Jul 87
under provisions of E.O. 12356
by B. Reger, National Security Council

INFORMATION ☒ McDaniel ☒ Pearson ☒ Secretariat
☒ Rodman ☒ Cockell ☒ Exec. Sec. Desk
☒ Poindexter (advance) ☒ Keel (advance)
☐ ____ ☐ ____

T-88-51
4/7/87
cdg

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CLOSE HOLD UNCLASSIFIED NO. N 34013

WHITE HOUSE STAFFING MEMORANDUM

DATE: 11/18/86 **ACTION/CONCURRENCE/COMMENT DUE BY:** 2:00 p.m. TODAY

SUBJECT: PRESS CONFERENCE OPENING STATEMENT

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☐	☐	MILLER - ADMIN.	☐	☐
REGAN	☐	✓	POINDEXTER →	✓	☐
MILLER - OMB	☐	☐	RYAN	☐	☐
BALL	✓	☐	SPEAKES	☐	☐
BARBOUR	☐	☐	SPRINKEL	☐	☐
BUCHANAN	✓	☐	SVAHN	☐	☐
CHEW	☐P	✓SS	THOMAS	✓	☐
DANIELS	☐	☐	TUTTLE	☐	☐
HENKEL	☐	☐	WALLISON	☐	☐
KING	☐	☐	______	☐	☐
KINGON	☐	☐	______	☐	☐
MASENG	☐	☐	______	☐	☐

REMARKS: Please provide any comments on the attached directly to my office 2:00 p.m. this afternoon. Thank you.

RESPONSE:

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David L. Ch
Staff Secret
Ext. 2702

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OPENING STATEMENT
PRESS CONFERENCE

Good evening. Before taking questions, I have some brief remarks.

Eighteen months ago -- as I said last Thursday -- this Administration began a secret initiative to the Middle East -- to the Islamic Republic of Iran. Our purposes were fourfold: To replace a relationship of total hostility, with something better. To bring a negotiated end to the Iran-Iraq war that would protect Western interests in the Persian Gulf. To effect the release of our hostages; and to bring an end to terrorism and the taking of hostages.

We knew this undertaking involved great risks -- especially for the hostages and for the Iranian officials with whom we were in contact. That is why information was restricted to Cabinet officers and officials with an absolute need to know.

This undertaking was a matter of concern and differences within Administration councils. There was a full and free debate. Several officials opposed the transfer of even a modest shipment of defensive weapons and spare parts to Iran -- others felt no progress could be made without this transfer. I weighed their views. I considered the risks if we failed and the rewards if we succeeded.

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As Mr. Lincoln said, of another presidential decision: If it turns out right, the criticism will not matter. If it turns out wrong, ten angels swearing I was right will make no difference.

So, if there were mistakes, they were mine. If there is responsibility for the decision, it too, is mine. For having listened to the debate and weighed the options I decided the potential for reducing the root causes of terrorism, bringing an end to the slaughter of thousands of human beings in the war between Iran and Iraq, bringing stability to the region, and finally, securing the release of hostages was worth the risks.

With respect to trading arms for hostages, our policy was and remains -- we will never pay ransom for the release of hostages. I can understand how our initiative may appear to violate that principle -- I can only assure you that was not the case. And if anyone doubts our resolve in acting against those who take hostages or support terrorism our action in response to the hijacking of the Achille Lauro and against Lybia speak with greater force than any words that I could use tonight.

Nonetheless, to remove any doubt I have directed my senior foreign policy advisors to notify our allies we will not provide additional arms, in any amount, to any country, including Iran, as long as they support, condone or in any way participate in terrorism or terrorists acts.

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If there were differences on *how* we achieve our policy goals there was and is no difference on what those goals are. We must find a way to bring Iran back into the community of responsible nations, to end a war that has taken ________ lives and to eliminate the *causes* of terrorism. We must not continually be bound to simply finding new ways to secure the release of hostages.

If we are to be successful in this and other foreign policy initiatives, it will require the support of the American people and the Congress -- Democrats and Republicans. I cannot put it better than Jim Wright, soon to be Speaker of the House, who said "We need to restore the kind of atmosphere that existed when I first came to Congress, when Sam Rayburn was the Speaker and Mr. Eisenhower was the President, and we worked together." Well, Mr. Wright, we can work together. The Congress will have my full cooperation in pursuing this and other foreign policy initiatives. Toward that end I have directed that *all* information relating to our initiative be provided to the appropriate Members of Congress.

But we cannot be effective as a country -- be it in eliminating the causes of terrorism or in our goal to eliminate nuclear weapons -- unless we are united and speak with one, certain and sure voice. In the past we have been able to build a consensus on difficult domestic and foreign policy issues. I remain hopeful such a consensus can be brought together on the Middle East and the Persian Gulf.

EXHIBIT DTR-48

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But, my friends, that letter may have been addressed to me, but it wasn't written to me alone. It was written also to each of you, to all Americans, and to our allies as well. It was written in thanks to all those who've joined in our bipartisan crusade to make America stronger. And it was written in thanks to all of those who have returned us to our values and reminded us of what they mean in this world. At the National Review dinner last December, I closed my remarks by saying thanks to Bill Buckley for "setting loose so much good in the world." But tonight, Bill, Ernie, Paul, Don, Jeane, and everyone, others far away, thank you, too. Thank you, God bless you all.

Note: The President spoke at 7:32 p.m. in the International Ballroom of the Washington Hilton Hotel.

The President's News Conference of November 19, 1986

Iran-U.S. Relations

The President. Good evening. I have a few words here before I take your questions, some brief remarks.

Eighteen months ago, as I said last Thursday, this administration began a secret initiative to the Islamic Republic of Iran. Our purposes were fourfold: to replace a relationship of total hostility with something better, to bring a negotiated end to the Iran-Iraq war, and to bring an end to terrorism and to effect the release of our hostages.

We knew this undertaking involved great risks, especially for our people and for the Iranian officials with whom we dealt. That's why the information was restricted to appropriate Cabinet officers and those officials with an absolute need to know.

This undertaking was a matter of considerable debate within administration circles. Our policy objectives were never in dispute. There were differences on how best to proceed. The principal issue in contention was whether we should make isolated and limited exceptions to our arms embargo as a signal of our serious intent. Several top advisers opposed the sale of even a modest shipment of defensive weapons and spare parts to Iran. Others felt no progress could be made without this sale. I weighed their views. I considered the risks of failure and the rewards of success, and I decided to proceed. And the responsibility for the decision and the operation is mine and mine alone. As Mr. Lincoln said of another presidential decision, "If it turns out right, the criticism will not matter. If it turns out wrong, ten angels swearing I was right will make no difference."

I understand this decision is deeply controversial and that some profoundly disagree with what was done. Even some who support our secret initiative believe it was a mistake to send any weapons to Iran. I understand and I respect those views, but I deeply believe in the correctness of my decision. I was convinced then and I am convinced now that while the risks were great, so, too, was the potential reward. Bringing Iran back into the community of responsible nations, ending its participation in political terror, bringing an end to that terrible war, and bringing our hostages home—these are the causes that justify taking risks.

In foreign policy the presence of risks alone cannot be reason enough not to act. There were risks when we liberated Grenada, when we went into Lebanon, when we aided the Philippines, and when we acted against Libya. So, we'll continue our efforts. However, to eliminate the widespread but mistaken perception that we have been exchanging arms for hostages, I have directed that no further sales of arms of any kind be sent to Iran. I have further directed that all information relating to our initiative be provided to the appropriate Members of Congress. There may be some questions which for reasons of national security or to protect the safety of the hostages I will be unable to answer publicly. But again, all information will be provided to the appropriate Members of Congress.

And now I'll take your questions. Helen [Helen Thomas, United Press International]?

Q. Mr. President, in the recent past there was an administration whose byword was "Watch what we do, not what we say." How would you assess the credibility of your own administration in the light of the prolonged deception of Congress and the public in terms of your secret dealings with Iran, the disinformation, the trading of Zakharov for Daniloff? And I'd like to follow up.

The President. Well, Helen, let me take the last one first. I know some persist in saying that we traded Zakharov for Daniloff. We did not. We said that we would have no dealings with the Soviet Union, even on going to Iceland, until Daniloff was in our hands.

But to bring it up to date on this, there was no deception intended by us. There was the knowledge that we were embarking on something that could be of great risk to the people we were talking to, great risk to our hostages. And, therefore, we had to have it limited to only the barest number of people that had to know. I was not breaking any law in doing that. It is provided for me to do that. At the same time, I have the right under the law to defer reporting to Congress, to the proper congressional committees, on an action, and defer it until such time as I believe it can safely be done with no risk to others.

And that's why I have ordered in this coming week the proper committees will be briefed on this. And there are still some parts of this that we cannot go public with, because it will bring to risk and danger people that are held and people that we have been negotiating with. We were not negotiating government to government. We were negotiating with certain individuals within that country.

Q. You don't think your credibility has been damaged? And are you prepared now to disavow the finding which let you make end runs around the Iranian arms embargo? Are you going to tear it up?

The President. No, as I say, we are going to observe that embargo. And it's part of the same reason that, as I've said, we were doing this in the first place: And that is to see, among the other issues involved, if we can help bring about peace between those two countries, a peace without victory to either one or defeat and that will recognize the territorial integrity of both. And this is something that all of our allies are seeking also.

But I think the people understand that sometimes you have to keep a secret in order to save human lives and to succeed in the mission, just as we went into Grenada without prior notice, because then we would have put to risk all of those men who were going to hit the beach.

Yes, Mike [Mike Putzel, Associated Press].

Secretary of State Shultz

Q. Mr. President, has Secretary Shultz discussed his resignation with you? Have you agreed to accept it, or have you asked him to stay on?

The President. Mike, he has never suggested to me in our meetings that resignation. And in fact, he has made it plain that he will stay as long as I want him, and I want him. So, there's never been any discussion there. He knows that I want him to stay, and he has, in advance, said that he wants to. There's been no talk of resignation.

Q. If I may follow up, sir: Has he made his staying conditioned on your agreeing not to send further arms to Iran?

The President. No, there have been no conditions. As I say, we didn't discuss that. And as I've said now, there is no need to go further with this. The mission was served that made us waive temporarily that for that really minuscule amount of spare parts and defensive weapons.

Chris [Chris Wallace, NBC News]?

Q. Mr. President, you have stated flatly, and you stated flatly again tonight, that you did not trade weapons for hostages. And yet the record shows that every time an American hostage was released—last September, this July, and again just this very month—there had been a major shipment of arms just before that. Are we all to believe that was just a coincidence?

The President. Chris, the only thing I know about major shipments of arms—as I've said, everything that we sold them could be put in one cargo plane, and there would be plenty of room left over. Now, if there were major shipments—and we know this has been going on—there have been other countries that have been dealing in arms with Iran. There have been also private merchants of such things that have been doing the same thing. Now, I've seen the stories about a Danish tramp steamer and a Danish sailors union officials talking about their ships taking various supplies to Iran. I didn't know anything about that until I saw the press on it, because we certainly never had any contact with anything of the kind. And so, it's just that we did something for a particular mission. There was a risk entailed. And Iran held no hostages. Iran did not kidnap anyone, to our knowledge. And the fact that part of the operation was that we knew, however, that the kidnapers of our hostages did have some kind of relationship in which Iran could at times influence them—not always—but could influence them. And so three of our hostages came home.

Q. But if I may follow up, sir: On that first point, your own Chief of Staff, Mr. Regan, has said that the U.S. condoned Israeli shipments of arms to Iran. And aren't you, in effect, sending the very message you always said you didn't want to send? Aren't you saying to terrorists either you or your state sponsor—which in this case was Iran—can gain from the holding of hostages?

The President. No, because I don't see where the kidnapers or the hostage-holders gained anything. They didn't get anything. They let the hostages go. Now, whatever is the pressure that brought that about, I'm just grateful to it for the fact that we got them. As a matter of fact, if there had not been so much publicity, we would have had two more that we were expecting.

Sam [Sam Donaldson, ABC News]?

Q. Mr. President, when you had the arms embargo on, you were asking other nations, our allies particularly, to observe it—publicly. But at the same time, privately, you concede you were authorizing a breaking of that embargo by the United States. How can you justify this duplicity?

The President. I don't think it was duplicity. And as I say, the so-called violation did not in any way alter the military balance between the two countries. But what we were aiming for, I think, made it worthwhile. And this was a waiver of our own embargo; the embargo still stays now and for the future. But the causes that I outlined here in my opening statement—first of all, to try and establish a relationship with a country that is of great strategic importance to peace and everything else in the Middle East, at the same time, also, to strike a blow against terrorism, and to get our hostages back, as we did. And this particular thing was, we felt, necessary in order to make the contacts that we made and that could lead to better relations with us. And there was a fourth item, also, as I pointed out.

Q. Sir, if I may, the polls show that a lot of American people just simply don't believe you. But the one thing that you've had going for you, more than anything else in your Presidency, your credibility, has been severely damaged. Can you repair it? What does it mean for the rest of your Presidency?

The President. Well, I imagine I'm the only one around who wants to repair it, and I didn't have anything to do with damaging it.

Bill [Bill Plante, CBS News]?

Q. Mr. President, you say that the equipment which was shipped didn't alter the military balance. Yet several things: We understand that there were 1,000 TOW antitank missiles shipped by the U.S. The U.S. apparently condoned shipments by Israel and other nations of other quantities of arms as an ancillary part of this deal—not directly connected, but had to condone it, or the shipments could not have gone forward, sir. So, how can you say that it cannot alter the military balance? And how can you say, sir, that it didn't break the law, when the National Security Act of 1977 plainly talks about timely notification of Congress and also, sir, stipulates that if the national security required secrecy the President is still required to advise the leadership and the chairmen of the intelligence committees?

The President. Bill, everything you've said here is based on a supposition that is false. We did not condone and do not condone the shipment of arms from other countries. And what was the other point that you made here——

Q. There were the antitank missiles, sir.

The President. Oh no, about the—that it didn't—no, that it didn't violate the—or that did violate the law. No, as I've said, the President, believe it or not, does have the power if, in his belief, national security can be served to waive the provisions of that law as well as to defer the notification of the Congress on this.

Q. Isn't it possible that the Iraqis, sir, might think that a thousand antitank missiles was enough to alter the balance of that war?

The President. This is a purely defensive weapon. It is a shoulder-carried weapon. And we don't think that in this defensive thing—we didn't add to any offensive power on the part of Iran. We know that Iraq has already announced that they would be willing to settle the conflict, as we've said, with no winners or losers. And the other parts happened to be spare parts for an antiaircraft Hawk battery. And, as I say, all of those weapons could be very easily carried in one mission.

Now, I think—Charles [Charles Bierbauer, Cable News Network].

Q. Mr. President, I don't think it's still clear just what Israel's role was in this. The questions that have been asked about a condoned shipment. We do understand that the Israelis sent a shipment in 1985, and there were also reports that it was the Israelis that contacted your administration and suggested that you make contact with Iran. Could you explain what the Israeli role was here?

The President. No, because we, as I say, have had nothing to do with other countries or their shipment of arms or doing what they're doing. And, no, as a matter of fact, the first ideas about the need to restore relations between Iran and the United States, or the Western World for that matter, actually began before our administration was here. But from the very first, if you look down the road at what could happen and perhaps a change of government there, that it was absolutely vital for the Western World and to the hopes for peace in the Middle East and all for us to be trying to establish this relationship. And we worked—oh, it started about 18 months ago, really, as we began to find out some individuals that it might be possible for us to deal with and who also were looking at the probability of a further accident.

Trudie?

Q. Can I follow up please, if I may, on that? The contacts that you're suggesting are with moderates in the Iranian Government and in the Iranian system. Barry Goldwater tonight said in his judgment there are no moderates in Iran. I don't mean to suggest that there may not be, but how did you know that you were reaching the moderates? And how do you define a moderate in that kind of a government?

The President. Well, again, you're asking questions that I cannot get into with regard to the answers. But believe me, we had information that led us to believe that there are factions within Iran, and many of them with an eye toward the fact that they think sooner rather than later there is going to be a change in the government there. And there is great dissatisfaction among the people in Iran.

Trudie [Trudie Fieldman, Transfeatures]?

Arms Reduction Negotiations

Q. Mr. President, could we turn to U.S.-Soviet relations for a moment, please?

The President. I'd be delighted. [*Laughter*]

Q. Your chief arms negotiator, Max Kampelman, said that as a result of your meeting with Mr. Gorbachev in Iceland that there indeed were substantial results and agreements. But the leadership of the Soviet Union say that there were no results, nothing positive, and the area is widely scattered still. How do you propose, in the remainder of your term, to close the gap for an agreement?

The President. Well, Trudie, the thing is, about that situation, they are not widely scattered. All the agreements, or the apparent places where we agreed at Reykjavik, are on the table now with our arms negotiators in Geneva. And for the first time there was an agreement reached on the desirability of eliminating all strategic nuclear missiles in a 5-year period and then dealing with the intermediate-range missiles in Germany. And just before the meeting broke up was the first time that—it had always been our purpose, and it was our purpose when we went there, to see if this—these are the destabilizing weapons, these are the weapons that people in their mind can picture someone pushes a button and lot of places blow up. And we always thought that if we could make a start on those, the destabilizing missiles, and then we could work on to the other nuclear weapons—bombs carried by airplanes and so forth. And we had gone there with the express purpose of seeing if we could arrive at some kind of a settlement on one or the other of these other two missile types. And it was just before the meeting broke up that for the first time they suggested that they were talking about all nuclear weapons, not just the others. Well, there was no time for us to discuss them—this new force that was in there.

But I think Mr. Kampelman was saying right—that I just call to your attention that never in the history of the Soviet Union has a Soviet leader ever publicly proposed eliminating weapons they already have. And this Soviet leader has. He has talked actually of totally eliminating them. And so the only thing I can say to this is—I know they are difficult to deal with—but all I can say is they're still at the table in Geneva, and the proposals are still there. So, I continue to be optimistic.

Q. I just want to follow up. Do you think you're going to see Mr. Gorbachev again during your term, or do you think he is thinking that he'll wait for the next President to negotiate an arms control agreement?

The President. Well, I have to believe there is reason for optimism, because he himself suggested the Iceland meeting as a forerunner to the summit that was supposed to take place in the United States. And all I can do is recall that when the Soviets, sometime ago, got up and walked out of the Geneva arms meetings, because we were installing medium-range—the Pershings and the cruise missiles in Europe. And they walked out and said, "That does it." Well, they came back.

Q. Do you have a date——

The President. What?

Q. Do you have a date to meet them again?

The President. No, that's what we're waiting for—is for them to give us a date.

Iran-U.S. Relations

Q. Mr. President, going back over your answers tonight about the arms shipments and the numbers of them, are you telling us tonight that the only shipments with which we were involved were the one or two that followed your January 17th finding and that, whatever your aides have said on background or on the record, there were no other shipments with which the U.S. condoned?

The President. That's right. I'm saying nothing, but the missiles that we sold—and remember, there are too many people that are saying "gave." They bought them.

Andrea [Andrea Mitchell, NBC News]?

Q. Mr. President, to follow up on that: We've been told by the Chief of Staff, Donald Regan, that we condoned—this government condoned—an Israeli shipment in September of 1985, shortly before the release of hostage Benjamin Weir. That was 4 months before your intelligence finding on January 17th that you say gave you the legal authority not to notify Congress. Now, can you clear that up—why this government was not in violation of its arms embargo and of the notification to Congress for having condoned American-made weapons shipped to Iran in September of 1985?

The President. Well, no, I've never heard Mr. Regan say that, and I'll ask him about that. Because we believe in the embargo, and as I say, we waived it for a specific purpose, in fact, with four goals in mind. Yes.

Q. Can I just follow up on that for a second, sir, because what is unclear to, I think, many people in the American public is why—if you are saying tonight that there will be no further arms shipments to Iran—why you won't cancel the January 17th intelligence finding so that you can put to rest any suggestion that you might again, without notification and in complete secrecy and perhaps with the objection of some of your Cabinet members, continue to ship weapons if you think that it is necessary?

The President. No, I have no intention of doing that, but at the same time, we are hopeful that we're going to be able to continue our meetings with these people, these individuals.

Q. But you won't cancel the intelligence finding?

The President. I don't know whether it's called for or whether I have to wait until we've reported to Congress and all. I don't know just what the technicality legally is on that.

Q. Yes, Mr. President. Why do you think—its strategic position not withstanding—the American people would ever support weapons to the Ayatollah Khomeini?

The President. We weren't giving them to the Ayatollah Khomeini. It's a strange situation. As I say, we were dealing with individuals, and we believe that those—and some of those individuals are in government, in positions in government. But it was not a meeting officially of the United States head of state and the Iranian head of state. But these people, we believed, and their closeness to the Iran military was such that this was necessary to let them know, number one, that we were serious and sincere in our effort about good relations and also that they were dealing with the head of government over here, that this wasn't something coming out of some agency or bureau, that I was behind it.

Q. Well, sir, if that's the case, some have asked that if Libya occupied a strategical position as Iran did, would you then arm Qadhafi and bomb Khomeini?

The President. Believe me, that's about as hypothetical a question as anyone could imagine. The situations are quite different.

Q. Mr. President, you said that you were not swapping—or you did not think you were swapping arms for hostages. But did it ever occur to you, or did it never occur to you, that certainly the Iranians would see it that way and that they might take it as an inducement to take more hostages, especially in light of the fact that they've released three but taken three more?

The President. No, to the best of our knowledge, Iran does not own or have authority over the Hizballah.[1] They cannot order them to do something. It is apparent that they, evidently, have either some persuasion—and they don't always succeed—but they can sometimes persuade or pressure the Hizballah into doing what they did in this instance. And as I say, the Iranian Government had no hostages, and they bought a shipment from us. And we, in turn—I might as well tell you that we, in turn, had said when they wanted to kind of know our position and whether we were trustworthy and all of this—we told them that we did not want to do business with any nation that openly backed terrorism. And they gave us information that they did not. And they said also that they had some evidence that there had been a lessening of this on the part of the Khomeini and the government and that they'd made some progress. As a matter of fact, some individuals associated with terrorist acts had been put in prison there. And so that was when we said, "Well, there's a very easy way for you to verify that if that's the way you feel, and they're being held hostage in Lebanon."

Q. Well, if I can follow up: If your arms shipments had no effect on the release of the hostages, then how do you explain the release of the hostages at the same time that the shipments were coming in?

The President. No, I said that at the time I said to them that there was something they could do to show their sincerity. And if they really meant it that they were not in favor of backing terrorists, they could begin by releasing our hostages. And as a matter of fact, I believe and have reason to believe that we would have had all five of them by this last weekend, had it not been for the attendant confusion that arose here in the reporting room.

You don't have your red mittens on.

Q. On that point, you said earlier, and you said just now again, that, but for the publicity, two other hostages would have been returned home by now. As you know, the publicity began in a Syrian-backed, pro-Syrian magazine——

The President. Yes.

Q. ——in Lebanon. My question is, therefore, are you suggesting that someone who was a party to this sabotaged it by deliberately leaking that original report?

The President. To our best information, the leak came from a person in government in Iran and not one of the people that we were dealing with, someone that would be more hostile to us. And that individual gave the story to the magazine, and the magazine then printed the story there in Beirut.

Q. Mr. President, there has been an obvious change in policy towards Iran: from refusing to deal with a terrorist state to even sending weapons as a gesture of good will.

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[1] *Radical Shi'ite group operating in Lebanon.*

Would you consider, in the name of the same geopolitical interest that you invoked with Iran, changing your policy towards Nicaragua?

The President. No, and I believe that I've answered that question, I think, more than once here—that no, we still hold to our position, and Iran officially is still on our list of nations that have been supporting terrorism. But I'm talking about the people that we were doing business with, and they gave us indication and evidence that that policy was changing. And so, as I said, to give them more prestige and muscle there where they were, we made this sale.

Nicaragua

Q. Then, Mr. President, would you consider breaking diplomatic relations with Nicaragua to increase the pressure on the Sandinista government?

The President. No, we have not thought of that, and we still believe very much in supporting the *contras*, because we believe in the *contras* cause. The *contras* have made it plain that all they seek is to be able to put enough pressure on the Sandinista government for that government to negotiate with them and the people of Nicaragua for the kind of government that they altogether had promised when they were fighting the revolution against the Somoza dictatorship. And it was the Sandinistas who, as Communist groups usually do, simply, when the revolution was over, they did everything they could to get rid of their fellow revolutionaries, and they seized power and created a totalitarian Communist State.

Now, the Sandinista—or the *contras* have never proposed overthrowing the government. They have repeatedly offered and said: "We simply want to be able to negotiate and have a chance to have the government installed that we'd promised the Organization of American States we were fighting for." So, I think we continue to help them, but we believe that there is a value in maintaining relations. It gives us a listening post in Nicaragua.

Iran-U.S. Relations

Q. Mr. President, there is a mood in Washington tonight of a President who is very much beleaguered, very much on the defensive. Why don't you seize the offensive by giving your Secretary of State a vote of confidence declaring that all future covert activities will have his support and by shaking up the National Security Council in such a way as to satisfy the concerns in Congress that it has been running a paramilitary operation out of the basement of the White House in defiance of the State Department and the Congress?

The President. The State Department—or the Secretary of State was involved, the Director of the CIA was involved, in what we were doing and, as I said before, there are certain laws in which, for certain actions, I would not have been able to keep them a secret as they were. But these people you've mentioned have been involved—do know what was going on. And I don't see that the action that you've suggested has called for it. But what you've disappointed me the most in is suggesting that I sound defensive up here. I've just been trying to answer all your questions as well as I can. And I don't feel that I have anything to defend about at all. With the circumstances the way they were, the decision I made I still believe was the correct decision, and I believe that we achieved some portion of our goals.

Q. Mr. President, do you believe that any of the additional hostages will be released?

The President. I have to believe that.

Q. And during any of these discussions with your administration, was there ever any hint or suggestion that these weapons might be used to topple the Ayatollah?

The President. No, and I don't see in any way how that could be, with the particular things that we were using. I don't see where the Ayatollah could be a logical target for an antiaircraft missile or even for a TOW missile for that matter.

Q. Mr. President, you made an exception for the arms embargo when you thought it was in the U.S. interest to do so. Why shouldn't other nations ship weapons to Iran when they think it's in their interests?

The President. Well, I would like to see the indication as to how it could be in their interest. I know that there are other nations that feel as we do that the Western World should be trying to find an avenue to get Iran back where it once was—and that is in the family of democratic nations and the family of nations that want peace in the Middle East and so forth.

Q. How, Mr. President—if I may follow up—how does shipping weapons to Iran help bring them back into the community of nations? You've acknowledged that you were dealing with only a small portion of the government?

The President. I was talking of strengthening a particular group who needed the prestige that that could give them, who needed that, well, that bargaining power, themselves, within their own ranks.

Jerry [Jeremiah O'Leary, Washington Times]?

Q. Mr. President, I believe you may have been slightly in error in describing a TOW as a shoulder-mounted weapon. It's a ground-to-ground weapon. Red-eye is the shoulder weapon, but that's beside the point. TOW's are used to destroy tanks.

The President. Yes, I know, Jerry, I know it's a tank weapon.

Q. I don't think it's fired from your shoulder.

The President. Well, now—[*laughter*]—if I have been misinformed, then I will yield on that. But it was my understanding that that is a man-carried weapon, and we have a number of other shoulder-borne weapons.

Q. I did have a question, though. [*Laughter*]

The President. You mean that wasn't a question? [*Laughter*]

Q. No, sir, I thought I knew what a TOW was.

I just wanted to ask you what would be wrong at this stage of the game, since everything seems to have gone wrong that could possibly go wrong, like the Murphy Law, the Reagan Law, the O'Leary Law, this week—what would be wrong in saying that a mistake was made on a very high-risk gamble so that you can get on with the next 2 years?

The President. Because I don't think a mistake was made. It was a high-risk gamble, and it was a gamble that, as I've said, I believe the circumstances warranted. And I don't see that it has been a fiasco or a great failure of any kind. We still have those contacts. We still have made some ground. We got our hostages back—three of them. And so, I think that what we did was right, and we're going to continue on this path.

Federal Aid to the Homeless

Q. Mr. President, Mr. President, please one domestic question, would you please? Sir, this is the question——

The President. Helen, will you yield to this?

Q. This is a question that will not wait. It's cold weather out there, and the growing number of hungry and cold people who are homeless in all of our cities—and these volunteers that you urge to take part in this and try to help have now made their surveys across the Nation. They've come back and said we can't feed the hungry and take care of the homeless by ourselves. We've got to have Federal help. You have no policy in the White House, I believe, to do this, and you're now just leaving this to local government and local groups. They can't take care of it. Won't you please give us a federally coordinated program with long-time planning?

The President. I think that in things of that kind we are still spending more than has ever been spent before trying to help the needy. I will be very pleased to look into that particular facet and see if there is some snafu there, but I don't think so. But I do think that many of these programs are being undertaken at a State and at a local level and with the aid of Federal financing. But I'll look into it.

Q. They're doing a great job, sir, but they simply say themselves—the churches, the nonprofits—we can't do it sufficiently. The number is growing so rapidly. They've got to have Federal help.

The President. No, well, as I'm saying, I'm going to find out, because I think and believe that there is such help. I just read this morning in the paper about a needy family in New York that is being put up in a hotel, and the cost to welfare just for the rent of the hotel room is $37,000 a year. And I wonder why somebody doesn't build them a house for $37,000?

Note: The President's 39th news conference began at 8:01 p.m. in the East Room at the

White House. It was broadcast live on nationwide radio and television.

Before answering the last series of questions, the President addressed Helen Thomas, who as the senior member of the White House press corps indicates when the news conference has ended.

Iran-United States Relations

Statement by the President.
November 19, 1986

There may be some misunderstanding of one of my answers tonight. There was a third country involved in our secret project with Iran. But taking this into account, all of the shipments of the token amounts of defensive arms and parts that I have authorized or condoned taken in total could be placed aboard a single cargo aircraft. This includes all shipments by the United States or any third country. Any other shipments by third countries were not authorized by the U.S. Government.

Note: The President's statement refers to his news conference.

The National Floral Emblem of the United States of America
The Rose

Proclamation 5574. November 20, 1986

By the President of the United States of America

A Proclamation

Americans have always loved the flowers with which God decorates our land. More often than any other flower, we hold the rose dear as the symbol of life and love and devotion, of beauty and eternity. For the love of man and woman, for the love of mankind and God, for the love of country, Americans who would speak the language of the heart do so with a rose.

We see proofs of this everywhere. The study of fossils reveals that the rose has existed in America for age upon age. We have always cultivated roses in our gardens. Our first President, George Washington, bred roses, and a variety he named after his mother is still grown today. The White House itself boasts a beautiful Rose Garden. We grow roses in all our fifty States. We find roses throughout our art, music, and literature. We decorate our celebrations and parades with roses. Most of all, we present roses to those we love, and we lavish them on our altars, our civil shrines, and the final resting places of our honored dead.

The American people have long held a special place in their hearts for roses. Let us continue to cherish them, to honor the love and devotion they represent, and to bestow them on all we we love just as God has bestowed them on us.

The Congress, by Senate Joint Resolution 159, has designated the rose as the National Floral Emblem of the United States and authorized and requested the President to issue a proclamation declaring this fact.

Now, Therefore, I, Ronald Reagan, President of the United States of America, do hereby proclaim the rose as the National Floral Emblem of the United States of America.

In Witness Whereof, I have hereunto set my hand this twentieth day of November, in the year of our Lord nineteen hundred and eighty-six, and of the Independence of the United States of America the two hundred and eleventh.

Ronald Reagan

[*Filed with the Office of the Federal Register, 11:02 a.m., November 21, 1986*]

President's Commission on Executive Exchange

Executive Order 12574. November 20, 1986

ESTABLISHING AN EXPERIMENTAL PROGRAM WITHIN THE PRESIDENT'S COMMISSION ON EXECUTIVE EXCHANGE

By the authority vested in me as President by the Constitution and statutes of the United States of America, including the Ex-

EXHIBIT DTR-49

TOP SECRET UNCLASSIFIED November 20, 1986

CHRONOLOGY OF EVENTS: U.S.-Iran Dialogue

1985

Jan :	Michael Ledeen suggested to the NSC that Israeli contacts may be useful in obtaining release of the U.S. hostages in Lebanon. Ghorbanifar was introduced to Ledeen and the NSC as an Iranian intermediary.
Feb 14:	Jeremy Levin escaped.
Jun 14:	TWA-847 hijacking. Iranian government officials, contacted by Israelis and Ghorbanifar, help in obtaining the release of four Americans held separately from the rest of the hijacked passengers. Last known instance of Iranian influenced group perpetrating terrorism against U.S. nationals.
Jun :	Draft NSDD on Iran circulated to principals.
Aug 22:	David Kimche met with Bud McFarlane in Washington.
Aug 30:	508 TOW missiles delivered to Iran from Israel.
Sep 01:	[redacted]
Sep 14:	Reverend Benjamin Weir released.
Oct 04:	Islamic Jihad claimed it murdered U.S. hostage William Buckley in retaliation for Israeli raids in Tunis.
Nov 17-18:	Separate meetings in London with Ghorbanifar and Waite.
Nov 24:	Israel delivered 18 HAWK missiles to Iran [redacted]
Dec 06-08:	Meeting in London with McFarlane and Ghorbanifar.
Dec 20:	Hostage Location Task Force (HLTF) formed at CIA.
Dec 22:	Ghorbanifar to U.S. for talks with U.S. officials.
Dec 23:	Nir became primary Israeli POC.

TOP SECRET
Declassify: OADR

UNCLASSIFIED

Partially Declassified/Released on 7 May 1987
under provisions of E.O. 12356
by ? Reger, National Security Council

P49

EXHIBIT
DTR-49

1986

Jan 17:	Presidential Finding on Iran.
Feb 05-07:	Meetings in Geneva with Nir and Ghorbanifar (CIA and NSC).
Feb 14:	U.S. delivers 1,000 TOWs to Israel.
Feb 19-21:	Meetings in London and Frankfurt (Ghorbanifar [redacted]
Feb 20-21:	1,000 TOWs delivered to Tehran from Israel.
Late Feb:	18 HAWK missiles returned to Israel.
Apr 17:	U.S. hostage Peter Kilburn murdered in retaliation for U.S. raid on Libya.
Apr 22:	Ghorbanifar arrested in Switzerland for indebtness apparently related to the FBI sting of arms sales to Iran by private citizens from the U.S., Germany, and Israel.
May 09:	Planning meeting at CIA (DDO and NSC personnel).
May 15:	Terms of Reference (TOR) approved for establishing a strategic dialogue with Iran. U.S. objectives: -- Establish a correct relationship with Iran. -- End Iran-Iraq war. -- Return U.S. hostages.
May 22-28:	Meetings in London ([redacted]), Cyprus ([redacted]), and Tel Aviv (Nir and Rabin).
May 23:	U.S. delivers 508 TOWs to Israel (replacements).
May 24:	[redacted].
May 25-27:	McFarlane party to Tehran. Some of the 240 HAWK missile parts accompany the party.
Jun 10:	Rafsanjani news conference containing possible "signal" that Iran wanted improved relations with the U.S.
Jun 30-Jul 02:	Ghorbanifar in U.S. for discussions with CIA and NSC.

Jul 26-28: Meetings in Frankfurt (Ghorbanifar, Nir, NSC, and CIA).

Jul 26: Father Jenco released.

Aug 03: Remainder of 240 HAWK missile parts delivered to Tehran.

Aug 06: Frankfurt meetings.

Aug 10: Initial contacts with [redacted] in Madrid and London.

Sep 19-20: Discussions in Washington with new Iranian intermediary (NSC and CIA).

Sep 22-23: Meetings in London (CIA, NSC with Nir).

Oct 03: White House approves provision of intelligence to Iran [redacted]

Oct 05-07: Frankfurt meetings (CIA, NSC, [redacted].

Oct 26-28: Frankfurt (Mainz) meetings of U.S. and Iranian representatives (CIA, NSC, Israeli rep [Nir], [redacted]).

Oct 29: 500 TOW missiles delivered to Iran from Israel

Nov 02: David Jacobsen released.

Nov 05-07: Meetings in Geneva with [redacted] NSC and CIA).

Nov 07: 500 TOW missiles delivered to Israel (replacements).

Exhibit DTR-50

UNCLASSIFIED ~~TOP SECRET~~ [redacted]

EXHIBIT DTR-50

N 12668
PAG!

ILE: NOTE [redacted] BO WHITE HOUSE COMMUNICATIONS AGENCY

cc: NSAGK --CPUA AL KEEL

! Bud & NPAC
MSG FROM: NSRCM --CPUA TO: NSJMP --CPUA 11/20/86 23:00:05
To: NSJMP --CPUA

** Reply to note of 11/19/86 11:41

-- ~~SECRET~~ --

OTE FROM: ROBERT MCFARLANE
ubject: NPAC
am willing to talk to Members but not to staff. Caroline can arrange it from
^ office.

y the way, two journalists today said that Don Regan backgrounded today that
t was all my idea and he wanted noting to do with it--nor did the
esident--from the beginning. Of course, the journalists know that isn't true
om talking to many people. But my point is that to do this doesn't help the
esident.

you may know, I accepted full responsibility for the entire matter
day.And still I got nothing but bad-mouth from the Speakes and Regan As a
rther thought about the NPAC, it might be better for you to refer them to my
fice so that it doesn't look too coordinated. But I will proceed as you
sh, concerning matters of adivce to the President. I assume that I ought not
sclose such advice.

: NSAGK --CPUA ALTON G. KEEL

NPAC B
: FROM: NSAGK --CPUA TO: NSJMP --CPUA 11/21/86 07:51:04
NSPBT --CPUA NSJMP --CPUA JOHN M. POINDEXTER
E FROM: Alton G. Keel
ject: Michael Ledeen

Forwarding note from NSRCM --CPUA 11/20/86 22:54 ***
NSRGB --CPUA

Reply to note of 11/19/86 17:38

UNCLASSIFIED [redacted]

-- ~~SECRET~~ --

Partially Declassified/Released on 29 Jul 87
under provisions of E.O. 12356
by B. Reger, National Security Council

2879

22 JMP 175 ⑮

EXHIBIT DTR-51

SECRET UNCLASSIFIED

The President has seen

SYSTEM II
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THE WHITE HOUSE
WASHINGTON

EXHIBIT
DTR-51

RR

November 21, 1986

N 45670

Meeting With Senior Presidential Advisors

DATE: November 24, 1986
LOCATION: Situation Room
TIME: 2:00 p.m. - 3:00 p.m.

FROM: JOHN M. POINDEXTER

I. PURPOSE

To review the situation in Iran and discuss how best to reinvigorate our policy in the Middle East and Persian Gulf.

II. BACKGROUND

The disclosure of the Iran initiative has exacerbated the leadership struggle in Tehran and damaged our influence in the Middle East and Persian Gulf. To assess the consequences of this situation, and what we can do to restore our position, our discussion will open with a detailed briefing on the internal situation in Iran. George Cave, CIA's premier expert on Iran (who acompanied Bud to Tehran and participated in other meetings with the Iranians), will provide the group with an intelligence briefing based on our most recent contacts. Cave will depart at the conclusion of his presentation.

In the follow-up discussion, it is essential that we reach a consensus on how to proceed in our efforts with Iran. Of even greater significance is the need to marshal bureaucratic resources -- notably the State Department -- to explain the rationale for our initiative and to dispatch a special emissary to key posts. The mission of the emissary (perhaps the Vice President with Under Secretary Armacost) would be to explain not only the strategic rationale for our action, but also to place the initiative in the context of our broader regional objectives. For instance, he must also address the peace process, U.S. relations with Syria, and the Soviet role in the Middle East, in addition to Iran. He should probably visit Jordan, Iraq, Saudi Arabia, Egypt, Pakistan and several European countries. The assignment of such a mission to State, to include participation from NSC, Defense and CIA, might provide the catalyst necessary to generate much-needed bureaucratic activism. It would also send a signal of governmental unity, overcoming a perception in the region that internal divisions have paralyzed our ability to act.

Declassified/Released on 27 Jul 87 [illegible]

cc: Vice President
Donald Regan

SECRET
Declassify on: OADR

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~~SECRET~~

2891

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III. PARTICIPANTS

The Vice President
Secretary of State Shultz
Secretary of Defense Weinberger
Attorney General Meese
Director Casey
Donald T. Regan
John M. Poindexter
Alton G. Keel
George Cave

N 45671

IV. PRESS PLAN

None.

V. SEQUENCE OF EVENTS

- George Cave briefing on the situation in Iran.
- Discussion.

Prepared by:
Howard R. Teicher
Oliver L. North

EXHIBIT DTR-52

UNCLASSIFIED

--353

N 53307

NSC Matter -- Plan of Action
Donald T. Regan

1. Widen scope of investigation by Attorney General into NSC. Promise report to Congress as soon as it convenes in January. Urge Attorney General to use PFIAB expertise.

2. Call Senate and House leaders to meeting in White House at 11:00a.m. Include chairmen and ranking members of Intelligence committee. Byrd, Dole, Wright and Michel. Tell them all the facts we know.

3. Accept resignation of Admiral Poindexter because of failure to inform President of possible misfeasance by members of his staff, and failure to investigate.

4. Order reassigment of Marine Corps Lt. Col Oliver North, and relieve him of all duties pending further investigation.

5. Invite Secretaries of State, Defense, Treasury, and Director of the CIA to meeting with Congressional leaders. Have them informed by Chief of Staff as to reason for meeting.

6. Chief of Staff to prepare Presidential statement using his own White House staff plus representatives from Attorney General's office. Wallison, Thomas, Buchanan, Speakes.

7 President to go to Press room around noon to deliver statement. In it he should state he ordered Attorney General to look into arms shipment and who knew what. Discuss findings. Now much detail to be decided by counsel. Enough to get our full story, how to protect innocent, or not harm future conduct of foreign relations should be decided quickly. Statement should express his shagrin, and shock at revelations. Should promise full investigation as in #1. Tell of his acceptance of John Poindexter's resignation and reassignment of North.

8. Who should background for press?
Attorney General, or his representative to be decided.
Admit details still fuzzy, further work is needed.
Congress, and public to be fully informed when investigation completed.

Partially Declassified/Released on 29 Jul 87
under provisions of E.O. 12356
by B. Reger, National Security Council

2892

EXHIBIT
DTR-52

UNCLASSIFIED

CONFIDENTIAL

9. Tough as it seems. blame must be put at NSC's door -- rogue operation, going on without President's knowledge or sanction. When suspicions arose he took charge, ordered investigation, had meeting of top advisors to get at facts, and find out who knew what. Try to make the best of a sensational story. Anticipate charges of "out of control", "President doesn't know what's going on," "Who's in charge", "State Department is right in its suspicions of NSC", "secret dealing with nefarious characters", "Should break off any contacts with: a) Iranians, b) Contras

10. Try to get answers to such charges in advance. President should not answer in Press room, but others in Administration are going to be asked. President must ask George Shultz to muzzle State Department, ditto for Cap Weinberger, and Bill Casey, and Chief of Staff, or else there will be all kinds of stories and malicious gossip that can only hurt Admiral Poindexter. Remind all that Attorney General is investigating, and its best not to surmise what might happen, or be discovered.

11. Appoint a special review board to examine NSC policy implementation and procedures.
The board should consit of three members, one with Congressional connections, and one a democrat.

12. Put Al Keel in charge of NSC on a temporary basis. Ask him to try to carry on business as usual. Use Chief of Staff's guidance, if needed.

13. Find replacement for John Poindexter as soon as possible. Warn President that George Shultz may "suggest" he take over both agencies on a temporary basis. He will put in his person and then return operation to White House. It will then be an outpost of State Department.
Best course, to be recommmended to President, "Find an outstanding person in Foreign Affairs/Foreign Policy/Intelligence Community and put him/her in charge immediately. Have person somewhat acquainted with job when Attorney General's findings are complete. Have person recruit new staff, and tighten all proceedures.

UNCLASSIFIED

[illegible]

N 53309

14. Qualifications for NSC head:
    a. Knowledge of foreign affairs, and experience in government in this area
    b. Some knowledge of intelligence gathering
    c. Vast knowledge of intelligence interpretation
    d. Mature judgement
    e. Calm exterior particularly in crisis
    f. Ability to analyze, verbalize.
    g. Desire to remain "out of sight", advise to President only, low profile in media
    h. Some knowledge of Congress, and ability to get along "on the Hill"
    i. Ability to recruit, and manage a staff of, hopefully, brilliant younger people.
    j. Diplomatic skills to be able to handle disparate views of Cabinet level officers and their deputies.
    k. Willingness to work extraordinary hours.
    l. Must agree to serve at least through January 1989, or at the pleasure of the President.
    m. Non-military.

15. Possible Candidates:

[redacted]

UNCLASSIFIED

EXHIBIT DTR-53

UNCLASSIFIED

2193

N 35383

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EXHIBIT
DTR-53

2889

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14. Qualifications for NSC head:
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    b. Some knowledge of intelligence gathering
    c. Vast knowledge of intelligence interpretation
    d. Mature judgement
    e. Calm exterior particularly in crisis
    f. Ability to analyze, verbalize.
    g. Desire to remain "out of sight", advise to President only, low profile in media
    h. Some knowledge of Congress, and ability to get along "on the Hill"
    i. Ability to recruit, and manage a staff of, hopefully, brilliant younger people.
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    k. Willingness to work extraordinary hours.
    l. Must agree to serve at least through January 1989, or at the pleasure of the President.
    m. Non-military.

15. Possible Candidates:

[redacted]

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EXHIBIT DTR-54

(c) 1986 The Washington Post, November 26, 1986

November 26, 1986, Wednesday, Final Edition

SECTION: FIRST SECTION, PAGE A8

LENGTH: 7708 words

HEADLINE: Transcript of Attorney General Meese's News Conference

BODY:

Why don't I tell you what is the situation and then I'll take your question.

On Friday afternoon -- or Friday at noon, the president asked me to look i and bring together the facts concerning the -- particularly the implementation of the strategic initiative in Iran and more precisely, anything pertaining to the transfer of arms. Over the weekend this inquiry was conducted. Yesterday evening I reported to the president. We continued our inquiry and this morning the president directed that we make this information immediately available to the Congress and to the public through this medium this noon.

Let me say that all of the information is not yet in. We are still continu our inquiry. But he did want me to make available immediately what we know the present time.

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What is involved is that in the course of the arms transfers, which involv the United States providing the arms to Israel and Israel in turn transferrin the arms -- in effect, selling the arms to representatives of Iran. Certain monies which were received in the transaction between representatives of Isra and representatives of Iran were taken and made available to the forces in Central America, which are opposing the Sandinista government there.

In essence, [redacted] which the transactions occurred was that a certai amount of [redacted] by representatives outside of the United Sta with Iran [redacted] This amount of money was then transferred to representati as best we [redacted] can be described as representatives of Israel. They, in turn, [redacted] to the CIA, which was the agent for the United States government under a finding prepared by the president -- signed by the pres in January of 1986. And, incidentally, all of these transactions that I am referring to took place between January of 1986 and the present time. They transferred to the CIA the exact amount of the money that was owed to the Uni States government for the weapons that were involved plus any costs of transportation that might be involved. This money was then repaid by the CIA the Department of Defense under the normal procedures and all governmental fu and all governmental property was accounted for and statements of that have b verified by us up to the present time.

EXHIBIT
DTR-54

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The money -- the difference between the money owed to the United States government and the money received from representatives of Iran was then deposited in bank accounts which were under the control of representatives of the forces in Central America.

How much money, sir? How much involved?

We don't know the exact amount yet. Our estimate is that it is somewhere between $ 10 and $ 30 million.

How did it come to your attention?

In the course of a thorough review of a number of intercepts, and other materials, this -- the hint of a possibility that there was some monies being made available for some other purpose came to our attention, and then we pursued that with the individuals involved.

Why wasn't the president -- why wasn't the president told?

The president was told as soon as we found out about it.

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And he knew nothing about it?

The president knew nothing about it until I reported it to him. I advised him yesterday morning that we still had some more work to do, and then I gave him the details that we had yesterday afternoon.

Is this what you were looking for when you began? Or is this just something that turned up in the course of your weekend investigation?

This turned up in the course of the investigation. The first thing that triggered, if you will, an inquiry, was the fact that as people prepared their testimony -- because this had been done in a rather compartmentalized way -- people prepared their testimony for the Hill on Friday, there were certain things where facts -- there appeared to be more facts out there than we had already put together. And it was a matter, then, of the president requesting me to talk with everyone who had any participation at all, because one agency was doing one thing, another agency was doing another thing -- there was very little paperwork -- and to determine precisely what all of the facts were because he wanted to be sure that he had all of the information about anything that may have occurred in the course of this whole situation. That was -- it was during the course of that inquiry that this information was found and then was followed up to the conclusions that I mentioned.

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General Meese, can you tell us who is running national security policy? Can you clear up for the American people, is Secretary [George P.] Shultz staying? Who is the new national security adviser? And what are you recommending in terms of possibly restructuring the White House staff?

In answer to your questions in order, at the present time, upon [Vice] Adm. [John M.] Poindexter actually leaving his post, Al [Alton G.] Keel [Jr.], ...

[illegible] the president [illegible] of national security affairs. The president has not yet selected a replacement, but he will do so as soon as possible.

Secretary Shultz is remaining in his position as secretary of state. That has not been a matter of conjecture, or discussion, or inquiry. And the third part of your question?

Oh, what recommendations will we make? We will make whatever recommendations for further proceedings come out of it, but more particularly, the president will be appointing a small commission which will look into the procedures and role of the NSC [National Security Council] staff and will make specific recommendations to him as far as the process for the future.

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We've been told that the president was operating, from the beginning of this operation in June or July of 1985, on legal opinions -- not written, but oral from you. Now, one can ask, then, are you, at this point, sorry that you gave the advice that the NSC should do this operation, overlooking the objections of State and Defense?

The only legal opinion that was involved had to do with the routine concurrence with the finding of January 1986. That's the only legal opinion, or legal advice that was asked for, or that was given.

General Meese, who in the NSC was aware that this extra amount of money [illegible] being transferred to the so-called contras or under their control? Did Adm. Poindexter specifically know? Who else knew, and did the CIA know? Was CIA Director [William J.] Casey aware of this?

The only persons in the United States government that knew precisely about this, the only person, was Lt. Col. [Oliver L.] North. Adm. Poindexter did know that something of this nature was occurring, but he did not look into it further.

And what, if I could follow up, sir, what about CIA Director Casey?

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CIA Director [illegible], Secretary of State Shultz, Secretary of Defense [Caspar W.] Weinberger, myself, the other members in the NSC -- none of us knew.

When you say that Poindexter knew, do you mean he approved of it?

No. Adm. Poindexter knew generally that something of this nature was happening. He did not know the details.

He did not try to stop it, though?

I don't know precisely when he learned it. He knew of it sometime during [illegible] year.

But he didn't try to stop it, sir?

He did not try to stop it.

General Meese, let me ask you this. In the course of your investigation, did you satisfy yourself that you know exactly how many shipments of arms went from the United States or Israel to Iran, and exactly what they contained? There's quite a bit of controversy over that.

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We are fairly sure that we know of the shipments of arms, because we had some control. We know it was shipped out of DOD [Department of Defense] stocks. We will only know -- we only know at this time what the United States participated in. We don't know of any other arms sales that may have been made, but we do know those that the United States participated in.

Well, let me just follow up. Have you established in your investigation whether anyone in the United States government gave a wink, a nod, an accord or any kind of approval for shipments which Israel or any other third country may have made?

Well, all of the shipments that, in which the United States' equipment was involved, were made by, through Israel -- were made by Israel.

Was that legal? Was that legal?

Yes.

Mr. Attorney General, do I understand, sir, that what you're reporting on this morning and what the president reported on this morning is a discovery of diversion of funds? The central questions that have been asked for the last three or four weeks about the propriety of shipment to -- arms to Iran, about

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the U.S. arms embargo at the time, the questions that the Hill has been asking, -- you have, if I understand correctly, we have heard nothing new on those questions today. Is that correct?

We have heard nothing new that hasn't been testified to essentially on the Hill. There may be -- we may have more information than has been brought to light already. We've talked with Congress basically. I think Director Casey g a pretty full [illegible]ition.

But this today, the discovery and the announcement, rather, today of the diversion of funds -- we take it by Col. North -- that does not drive to any those other questions. Did what Col. North do, is that a crime? Will he be prosecuted?

We are presently looking into the legal aspects of it as to whether there's any criminality involved. We're also looking precisely at his involvement and what he did, so that the conclusions as to whether there's any criminal acts involved is still under inquiry by us.

Isn't it at this time likely, even preferable from your point of view, that a special prosecutor be appointed to examine these questions? You're talking not only about the law about the Iranian transactions, but the congressional

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strictures against the military aid to the contras. Isn't it now time for a special prosecutor?

No. If we find that there is any criminality -- which as yet there have been no conclusions -- but if we find that anyone who is a covered person under the Independent Counsel Act is involved, then that would be the time to request an independent counsel, as we would in any other matter.

Is a grand jury -- to follow up -- is a grand jury taking evidence on this?

No. There is no grand jury at the present time.

[inaudible] still saying it was not a mistake -- the policy was not a mistake, General Meese?

I think the policy, as the president said, to reestablish our relationship with Iran, to try to bring an end to the Iran-Iraqi war, to try to decrease the participation of Iran in terrorism in the Middle East, and to get our hostages back -- all of those objectives -- certainly were not [a] mistake.

The way it was carried out led to this diversion of funds by not including the other agencies.

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It didn't lead to the diversion of funds. The funds were transferred, and that's one of the things that has disturbed me and disturbed the president. This was not an inherent part of anything having to do with the policy itself. Instead, it was actually an aberration from the policy and from everything that had been described to the president and to the other members of the National Security Council.

[inaudible] suggesting if Congress had been notified, don't you think it would have been unlikely for this to happen?

No. I think exactly the same thing could well have happened because this was something that was unknown to any of the officials that gave authorization for this in the first place.

Could you tell me what these funds were used for?

I don't know. I don't know that anyone does. They were just provided to the contras through [illegible] bank account, and that was the end, so far as we know, of anyone in the United States government knowing anything about what happened to them.

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How did you discover it, Mr. Attorney General?

How did we discover it? In the course of a review of documents, we came across a reference to the possibility of differences in amount between the funds being paid by Iran and the amount of the actual weapons -- that was [illegible]

[illegible] particular document that we found. While it didn't reveal the whole situation, we then used that as the basis for proceeding further and discussing with one of the participants what this all meant. And that's how this was discovered.

When you talked to Col. North over the weekend, did he admit that he had don this?

I will talk about the facts. I think as far as anything that might possibly be involved in legal action as to who admitted what, I think it would not be appropriate for me to go into that.

One final follow-up, then. How did Col. North -- let me put it this way these transfers of monies, did they only go through one man -- Col. North? Were there no other people involved?

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No transfers of money went through anyone. Bank accounts were established, best we know, by representatives of the forces in Central America. And this information was provided to representatives of the Israeli government and the funds -- or representatives of Israel, I should say -- and then these funds we put into the accounts. So far as we know at this stage, no American person actually handled any of the funds that went to the forces in Central Amer...

[inaudible] Israel deposited money to accounts that it had been asked deposit the money to -- Israel deposited money to accounts it had been asked

These are some of the details that we're still going into, because we ha had a chance to interview everyone.

General, have you made any finding regarding the use of the National Se Council staff as an operational wing of the government, and that it would in something like this?

This is what the board or the commission that the president will set up wil presumably be looking at. We will probably be making recommendations on thi regard.

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You made the long march with the president from California, and there are many, many reports that his California friends and supporters do think there should be a real shake-up at the top. Yesterday, a No. 2 man at the State Department really damaged the president's position in a way -- publicly -- by opposing it, differing and so forth. Do you think that Secretary Shultz has behaved in the proper style, and should he stay on? And what do you think sho happen? What's happening to the president?

Well, I think you know that for the almost six years that I've been here I have never commented on any other member of the administration. I'm not going change that now. I do think -- I will say this. I think every member of the administration owes it to the president to stand shoulder-to-shoulder with it and support the policies that he has -- the policy decisions he has made [illegible] in the president didn't know, as in this case, and where he has very courageously, I think, made it immediately available to the American public and to the Congress. And I intend to do that. Other people can speak for themselves.

Mr. Meese, setting aside what the president didn't know until last night about the diversion of funds, you have the spectacle of the top members of this administration fighting one another like cats and dogs over policy, and the president's credibility being damaged as a result. Have you done nothing to

address that? Has anyone here addressed it?

I think, again, this would involve commenting on other members of the administration, which I won't do. I've already said what my position is, an position is clearly that I think anyone who is a member of the president's or the president's Cabinet has an obligation either to support the policy decisions of the president or to get out.

Specifically, though, there have been published reports that you have recommended to the president or Mrs. [Nancy] Reagan or to someone that a chan needed to be made at the White House staff. Is that so?

No.

Not true?

I have not -- the published reports I've seen are those which said that in league somehow with a, quote, "group of Californians" which had to do with major shake-ups in the government. I have not had any conversations with any Californians about such a group or making such recommendations.

Have you had any conversations with Drew Lewis about replacing [White House chief of staff] Donald Regan, sir?

No.

You have n[illegible]lled Drew Lewis?

I have not called Drew Lewis, and he has not called me about getting the no.

Is the job open?

No.

Excuse me, sir. You said that between $ 10 million and $ 30 million surpl funds from the Iranian arms sale may have been diverted to sources in Central

I say, may have been transferred.

That's right. The public reports and what the White House has said sugge that only $ 12 million total was spent for these. What's the total [illegible] arms

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The difference is -- it was $ 12 million worth -- approximately -- worth of arms that was transferred from DOD stocks. That's --

Is that how the Israelis sold them for $ 10 to $ 30 million more than

That's my -- that's the best of our understanding at the present time,

Did you know they were selling them at a premium?

No one at a command level in the United States government did. No

What was the purpose, as you determined it, for setting up this special given the funding that's been approved, why was it that someone in the White House felt it necessary to funnel this extra money to the contras?

Well, I don't know precisely -- except that this was all done during a peri when the funding was not being provided by the Congress. This was all done pri to the first of this fiscal year when funding was resumed. So, it was at a ti when no funds were being provided by the United States government.

Is this definitely in violation of the law, then?

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That's something we're looking at at the present time because it depends on two things: precisely what was done and precisely who did it, in terms of what people who are United States officials, or United States citizens -- actually participated, and what their conduct was. That's what we're still looking at.

In your conversations with Adm. Poindexter, how does he explain not having alerted anyone that this was going on? As you said, he was aware of those happenings and --

Again, I'm not going into any precise conversations with anyone while the inquiry is still [illegible]. Let me just say that he did not notify anyone of this, particul[illegible]ident, or any of the other members of the National Security Coun[illegible]

Did he quit [illegible]fired?

Adm. Poindexter resigned -- or actually requested reassignment to the Navy his own accord before anyone ever raised any question about this. He did this his own volition because he felt -- because he felt that it was his responsibility to take that action to avoid any possible confusion over this matter and to allow the president to have a new start in terms of his national security operations.

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When did he do that, sir?

He discussed with me, yesterday, and he actually -- and he --

That was after the information had come out about this diversion of funds t the contras, yes?

It was during the same conversation that I discussed with him that he mentioned what his feeling had been as to what he ought to do in regard to the whole matter.

But, it was only after he was aware that this had become publi , and you kn about it

No, it had not become public at that time

But, that you knew about it, correct?

This is correct. However, I was led to believe that he had already planned resign prior to his conversation with me, and he actually told the presiden this morning

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You say the members of the administration should support the president or out. Where does that leave the secretary of state?

I'm not talking about any particular person. Conclusions are your business not mine

Would you, please, clarify the whole question of the president condoning a third-country shipment prior to signing this order -- this intelligence findi in January. Exactly what did the president know, and when did he know it? Who told him the details were, in terms of Israel shipping arms to Iran, apart fr this additional question of shipping arms to the contras?

This is still being looked into. The president did not have full details o all of the aspects of transactions that took place prior to the finding. Ther were -- there was at least one transaction that we know about in which Israel shipped weapons without any authorization from the United States. There was another transaction of a similar nature, although there was probably knowledge on the part of people in the United States about it, and this --

When was [illegible]

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-- is one of -- there was a transaction, one transaction in late August September, and there was another transaction in . . . of '85 -- in November And in the November transaction, actually, those weapons were returned to Israel, it's our understanding. That was -- that whole -- both of those transactions took place between Israel and Iran, did not involve, at that ti the United States.

At what point did the president know? You said he didn't have the full details.

What details did he have about those transactions, and when did he have them?

The president -- this is one of the things that we're recollecting now. The president was informed generally that there had been an Israeli shipment of weapons to Iran sometime during the late summer, early fall of 1985, and then he later learned in February of 1986 details about another shipment that had taken

place in November of '85, which had actually been returned to Israel in February of '86

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If he didn't really know, why did he call Shimon Peres to thank him [illegible] after Benjamin Weir's release? Why did he call the then Israeli prime minister to thank him for Israel's help in sending that shipment of arms?

Well, he thanked -- he called -- I don't know, because that's something I have not discussed with the president specifically, the call to Shamir [illegible], but I think there was no question that the Israelis had been helpful in terms of their contacts with other people in regard to Weir.

Attorney General, Adm. Poindexter has told reporters that the president verbally authorized that shipment in September of 1985 from Israel to Iran. Does your information dispute that?

Our information is that the president knew about it probably after [illegible] and agreed with the general concept of continuing our discussions with the Israelis concerning these matters. That's the information I have.

But who had the authorization ability, if not the president? Who can authorize [illegible]

Well, nobody -- to my knowledge . . . . To my knowledge, nobody authorized that particular shipment specifically.

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The Israelis [illegible] their own?

That's my [illegible] yes.

Do you know [illegible] claim that they never did anything without the full knowledge, un[illegible] and consent of the United States government?

My understanding is that in terms of that particular shipment -- and this is one of the --

Which one? The September '85?

The September -- August or September, it's either August or September -- on that particular occasion, it was done at their -- on their own motion by the Israelis. It was known to us, and it's uncertain as to whether it was known before or after, and --

Didn't [former national security adviser] Bud [Robert C.] McFarlane meet with an Israeli official just at that time?

Wait a minute. Let me finish my answer -- and that it was, however, after the fact, at least, was condoned by the United States government.

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You [illegible] yourself to make a distinction between the Israeli government and Israelis that were involved in the diversion of funds. Are you implying that there was somebody outside the government and that they are, in fact, the kingpins behind the -- this operation to divert the funds?

Well, one of the things that's very difficult is to be talking about [illegible] the middle of an inquiry which is not yet complete. We don't know all the facts. And so, as far as things that are happening other than involving United States persons or United States government officials that we have talked to, we don't know all the facts. That's why I'm being very careful to say that, as best we know, they were representatives of Israel. Whether they were specifically authorized by the government or not is one of the things I would assume we will find out.

What's to prevent an increasingly cynical public from thinking that you were looking for a scapegoat and you came up with this whopper, but it doesn't have lot to do with the original controversy?

Well, the only thing that I can say is that we have been very careful to lay out the facts for you and for the American public just as rapidly as we've gotten them -- much, much different than we would do in a normal inquiry or investigation, when we usually wait until the inquiry is complete. But the

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president felt that in the interests of getting the full story out, that he should make the statement that he did today and that I should appear before you and answer questions -- which I think you will agree is doing everything we can do to be sure that there is no hint that anything is trying to be concealed.

Mr. Meese, how high did this go? In other words, do you believe, and are we being asked to believe, that a lieutenant colonel took this initiative and had these funds transferred, and that only Adm. Poindexter knew about it? How high did it go?

Well, what [illegible] have just said is an accurate picture of what we know at the time. And to [illegible] best of our knowledge -- and we have checked this rather extensively -- [illegible] did not go any higher than that.

Mr. Meese, was [retired major] general [John K.] Singlaub or [retired major] general [Richard V.] Secord or anybody in that network providing aid to the contras -- were they involved in this?

Well, I can't tell you because we have not completed our inquiry, and the only names that I have used are people with whom we have talked and have pretty good information as to who's who.

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You've talked about giving us this information about the funds to [illegible]

Congress specifically forbade you, in the Boland amendment, from directing or providing support to the contras. Haven't you, based strictly on the information you've given us today, violated the Boland amendment, and hasn't one of the president's staff members overseen that?

This is something that we are looking into at the present time. As to the specific applicability of variety of laws and whether the acts that particular

person committed were in violation of those laws, I'm not prepared at this time to make a legal conclusion because that's still under consideration.

Would you tell the president that the Boland amendment might have been violated, and that's why you were taking this action?

My answer remains the same.

Mr. Meese, you say Adm. Poindexter is being reassigned. Should he be reassigned without any determination being made as to whether or not there has been any criminality involved here?

Well, he is a naval officer, a very distinguished naval officer. He has asked to be returned to the Navy, and the president has agreed to allow him to do

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that. So it's a matter of his deciding to relinquish his position as the assistant to the president for national security affairs. So he automatically goes back to the Navy, as he's requested.

[inaudible] Do you believe, or has the president expressed to you some concern that perhaps he needs to change some of his staff operations in order for him to receive more information and have more of a hands-on presidency?

It's not a matter of having a hands-on presidency, it's making sure that those people who are working for him are following the procedures. That's one reason why he has this commission which will be reviewing specifically what those procedures and what those standards of conduct are. As far as what the president didn't know, I only mentioned two times -- one time where he knew nothing, which was the transfer of funds to the forces in Nicaragua. The other thing was where he didn't have complete information at the time regarding the November transaction. And in the summer the August situation in which he was informed of that, but after the fact. And it's my understanding that the United States individuals involved were also informed after the fact.

But does h[illegible]ieve that he has been badly served? Is he angered by this?

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I think what -- that that calls for a conclusion. I'm just talking about facts.

What does this do to your credibility with Congress? I mean, how can your people now go down to Congress and look them in the eye when they passed a law opposing funds for the contras and your administration, however it happened, wound up sending that money?

I think the same way you do when anybody in the administration does [illegible] that is not correct. And that is, you go down to Congress and [redacted] exactly what happened, which is what the president and what I did today. I don't think anyone can be responsible if someone on the lower echelons of government does something that we don't feel -- or that -- objectively viewed as not correct. But when that happens and you find out about it, you investigate it and you take the necessary action, which is exactly what we did and what the president has done.

Mr. Attorney General, will you cooperate with Congress?

It's my -- I don't like to -- I want to get Larry's [White House spokesman Larry Speakes] permission [to take additional questions], but I'm not really a sadomasochist.

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Congress will undoubtedly require its own investigation, on the theory that the administration cannot properly investigate itself in this matter. Will you cooperate with a congressional investigation?

I don't accept your premise that Congress will feel that we can't investigate ourselves. We're not investigating ourselves. We're investigating certain people within the administration. There's no question whatsoever or no implication that anything that was done was administration policy or directed by top administration officials. However, the president has already directed -- as he told you, I think almost two weeks ago -- that he wanted all members of the government to cooperate fully with the Congress so that all the facts would be presented to them. And that's why such an immediate presentation to the Congress was made, as it was this morning.

Sir, was there -- can I ask you, what did Col. North actually tell you? Why did he do it, and where was the money deposited? Was it in one bank or several banks?

I'm not going to go into specific conversations, for the reasons that I mentioned earlier. My -- the information we have at the present time is that it was done because this was during a period when Congress had not provided money to the contras; it was done during a time in which, it is my understanding,

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that provisi[illegible]de by Congress to permit the United States to seek funding of th[illegible]caragua from third countries and -- what was the other part of [illegible]? . . . . And the bank accounts -- my understanding is that the ba[illegible] were in Switzerland and that they were -- where [illegible] deposits are made into accounts -- into numbered accounts, and then this was withdrawn by the representatives of the forces in Nicaragua.

Was [contra leader] Adolfo Calero involved? Was he the man that North contacted?

I'm not going to be able to talk about people where I don't know specific facts.

I would like to know what's going to become of Lt. Col. North, and if he's going back to the Marine Corps?

Lt. Col. North has requested to return to the Marine Corps, and that [illegible]

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[illegible] understanding is — I bel[illegible] that he has already indicated that he is retiring from the Marine Corps, but that I'd have to check.

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You said that it is time for the president's men to stand shoulder to shoulder — that that is your belief. But specifically, what has the president instructed of his Cabinet members in that meeting yesterday that lasted for two hours, what he wants to have happen now?

You know that I never comment on meetings with the president and who said what.

Could you say — since that money was owed to the U.S. government, the $ 30 million or $ 40 million, are you going to —

No, it was not owed to the U.S. government. All the money that was owed to the United States government was paid to the United States government.

Are you going to require that that additional money that went to the contras go back to the U.S. government?

We have no control over that money. It was never United States funds, it was never the property of United States officials, so we have no control over that whatsoever.

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[inaudible] Can the president legitimately expect to get anything accomplished on Capitol Hill unless he makes some changes?

I think the president has already indicated that he will make some changes. One of the things he's going to do is to have a commission to review the procedures and the role of the National Security Council staff. Already, Adm. Poindexter has requested return to the Navy, so the president can make some changes in th[illegible] particular spot . . . . So I think the changes are already under way.

Robert McF[illegible], the former national security adviser who was deeply involved in [illegible] whole project, did he know about this diversion of funds to the contras?

Bud McFarlane knew about it. He was told about it in the middle of the year — April or May of 1986 — at a time when he was no longer in the government.

So he was aware of this while it was going on?

That's my understanding, yes.

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And possibly an illegal act -- an illegal diversion of funds?

You're coming to conclusions that we haven't made yet.

Why did the administration decide not to send medicine and humanitarian aid, and isn't it true that if you had decided to go that route, you wouldn't be in the mess you're in?

That's a matter for foreign policy expertise. Justice is my business.

Do you expect further resignations or some other way for this administration to establish its credibility and to show that its Cabinet is functioning?

I think that the administration has already demonstrated its credibility by the full disclosure of the facts. I think there's no question the Cabinet is functioning right now -- as witness the meetings we've had yesterday and today, -- and I know of no other resignations that are either contemplated or requested.

Do you mean to suggest, sir, that the Congress may have authorized what Col. North did in seeking funds for the contras and third countries? Did you mean to suggest that?

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I ... certainly, Congress never specifically authorized what Col. North did. The question that has to be looked at, as a legal matter, is whether he committed any violation of law at the time he did that.

But, were you suggesting that the intelligence committee may have given the go-ahead to the CIA, for instance, to raise money from third countries?

No, I did not. I did not comment on that aspect of it at all. All I said -- the only point that I'm making -- is that before determining whether there is any criminal offense, you have to find out what, how the law applies to specific acts -- and that's going on at the present time.

To follow up, sir, could you explain how it is that the president's national security adviser, who has the president's ear, could not, at least, inform the chief of staff, Mr. Regan, of this?

I cannot [illegible] it other than the fact that it happened.

Since no [illegible] other than these two men know about this, and since the president insi[illegible] that he did not make a mistake in the Iran deal to begin with, why was the investigation begun? Why did he come to you last week and say, "Look into this"?

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He didn't. I came to him.

Why?

Because as the various -- I had been in meetings -- in looking at the various aspects of the testimony -- and there appeared to be things that we [illegible] because one person had done this and one person had done [illegible] the very necessary secrecy involved in this, and the highly compartmen[illegible] nature of the operation, a lot of people did not know certain things that [illegible] going on, that were being done by others. My suggestion to the president was that we get all of the facts together to be sure that anyone testifying before Congress was being absolutely accurate, not only as to what they knew, but as to other facts, since they were representing the administration. The president suggested that that be done -- that the facts all be pulled together. It was in the course of those, that this information came to light.

In your inquiry, did you determine how much information the State Department had gotten -- not in reference to contra money -- but in the whole aspect of this Iran connection, did, were they informed, or weren't they?

Well, I think Mr. Shultz has said that he participated in certain meetings, and did get certain information, that he had opposed the concept of any

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transfer of arms, and that he was not involved, nor was he informed about any of the implementing steps. And everything that I have found, including my discussions with Mr. Shultz himself, verify that that is essentially correct.

Whose money was misappropriated? If it wasn't the United States government funds --

I don't know that anybody's money was misappropriated.

Can you explain a little more about how the pricing of these weapons took place. I mean, who it was who set the price for the Iranians, and how that occurred? Was it North? Was it the Israelis?

My understanding is that all of that took place in negotiations between people which we might call "loosely" representing Israel and people representing Iran. And, so -- that this was not done in the presence of, or with the participation of any American persons, to the best of our knowledge at this time. That's one of the things that we'll be looking into.

Did Israeli officials know that this money then was being transferred to the contras -- that that was the goal or the target of it?

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I don't [illegible] Israeli officials, as opposed to representatives, depending on [illegible] the people were, knew -- that's one of the things again that will be looking at.

Who were the Israelis and who were the Iranians?

Again, I can't mention any names until we actually have those things pinned down, which is one of the things we'll be looking at.

Was this Col. North's idea? Was it Col. North's idea -- if we can bid up the amount of money the Iranians are paying, we can take that extra money and give it to the contras? Did he come up with the original idea? Was it an Israeli idea? And a second question, sir -- there have been allegations that Vice President Bush was involved in supplying money or aiding the supply of arms to the contras. Do you know whether or not he was aware of this program [illegible]

First, I don't know precisely what the conversations were -- who said what to who -- when this thing first got started. Again, it's a matter that is still under investigation. I do know that the president -- that the vice president did not know about any of this until yesterday when I informed him of essentially the same information I had given the president.

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How is it that so much of this can go on and the president not know it? He's the president of the United States. Why doesn't he know?

Because somebody didn't tell him, that's why. And remember, we're talking about three situations over a period of some six or eight months, and the people who were involved in the situation didn't tell anybody, including the president. So, it's common understanding why the president wouldn't know, because no one the chain of command was informed.

Mr. Meese, if they weren't U.S. funds, whose money was this?

Well, I think that's -- I would assume that it either belonged to the party that -- who had sold the weapons to the Iranians, or it belonged to the party who had bought the weapons and given the money. That's -- but I think it would probably be the party that had sold the weapons to the Iranians.

Sir, were any of the principals on the Iranian or the Israeli side -- were they involved in cases that the Justice Department was prosecuting or investigating separately -- first? And second, was that --

Not to our knowledge, in answer to your question.

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Were there bank accounts -- is there any evidence or indication those bank accounts were set up by the CIA?

No. There's no indication at all.

Or that th[illegible] did it with the help of the CIA?

No. There'[illegible] indication whatsoever, to the best of our knowledge -- that anyone in the CI[illegible] anything about it.

Can you explain, sir, why, if it was the people who are leaving today were the ones who proposed to the president the idea of arms shipments to Ira -- if, perhaps, they had other information from the president on that policy, well, why doesn't the president ask for a reexamination of that policy? Perha the four goals that you mentioned, which they proposed -- that there's a question about them, as well? Perhaps the president has been misled about the larger policy, as well, since we know that Secretary Shultz opposes it and Secretary Weinberger opposes it, but the main advice came from NSC, from the people who are now leaving. Don't you think the president should reexamine policy as well?

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No, because the people who are leaving today were not the people that proposed the policy to the president. The policy was proposed initially as a result of conversations with Israel. It was then presented to the president b the then-assistant to the president for national security affairs. It was

discussed with all of the members, in January, with all of the members of the National -- or almost all of the members of the National Security Council and that on the National Security Council there was a split of opinion. But after hearing all of the arguments, pro and con, the president decided that the potential for achieving the goals of effecting peace in the Middle East, help secure that area, stopping a war and obtaining our hostages was worth the involved.

Can you say that when the president made that decision -- who was his national security adviser?

Adm. Poindexter was actually -- it really was at the time when Bud McFarla was leaving. The discussions with the president about this specific series of events had gone on under Mr. McFarlane during 1985 and the specific discussio of some of these things that led to the finding in January had actually star in December, while Mr. McFarlane was here.

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He was transferring out during the latter part of December and the early p of January. At that time, Adm. Poindexter came in.

So he knew about details of this operation but didn't tell anyone in the administration for --

Mr. McFarlane?

Yes.

He didn't learn of this, of the transactions involving the forces in Cen. America until probably April or May of 1986.

Why did he [redacted]ning to the president?

I don't

He did go for the president --

He didn't --

(c) 1986 The Washington Post, November 26, 1986

-- in May of that year, right? He was a representative of the presid

That's correct. Whether he talked with the president during that period of time, I don't know.

BEST AVAILABLE COPY

Well, why should the president take these people's advice, sir?

Well, because -- the president didn't just take these people's advice as to the overall policy. He had the advice of the entire range of his national security advisers.

Most of them advised against it.

All of his advisers [illegible] of -- some of whom advised against it, some of whom advised in favor of it.

Who else advised in favor of it besides members of the NSC?

As you know, I don't talk about who gives advice to the president.

The people who you say profited from this diversion of funds, these [illegible] the people that we were working with, people perhaps that were even aboard [illegible] plane with Mr. McFarlane into Iran.

No, no. The people who profited? I don't know that anyone profited. The fun --

In Israel, who you say --

I don't know that anyone in Israel --

owned the money that got diverted into --

The money that was transferred to the forces in Nicaragua -- I don't know that anyone who was involved in that transaction was necessarily on the plane with Mr. McFarlane. That's something we haven't gone into yet.

We now know of three specific shipments, unless I'm mistaken -- the one in late August, early September, as you've described it; one in November, which [illegible] returned to Israel; and then another one in May. The diversions of funds took place from which of these or all three of these?

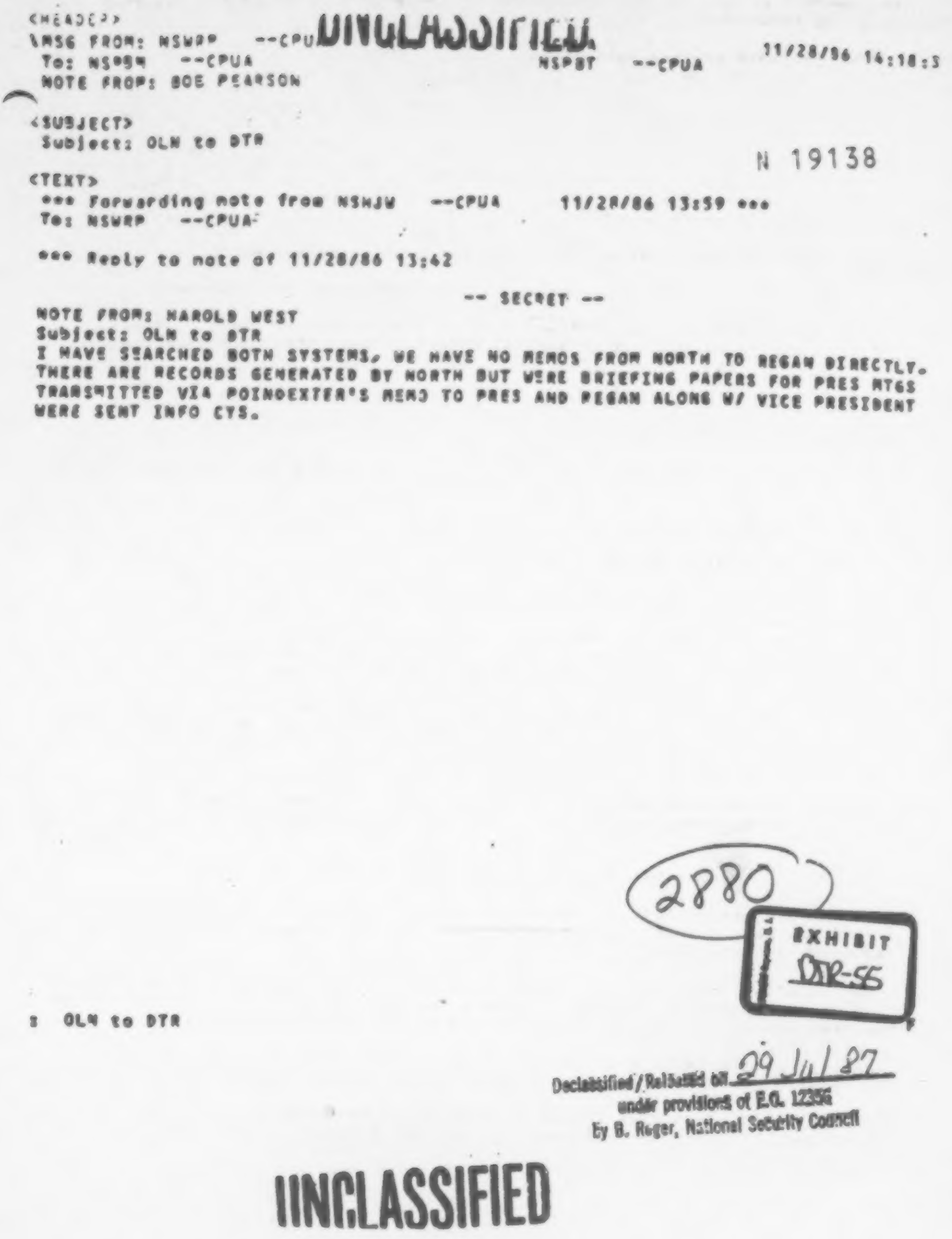
There were several shipments -- there were, I believe, three or four shipments dur[illegible] I can't give you the precise dates. The transfer of funds were involved with at least one and possibly three of these shipments during the period from roughly January of 1986 or February through probably September of 1986.

Mr. Meese, Mr. [Eugene] Hasenfus is in jail in Nicaragua, as you know, f running supplies into Nicaragua to help the contras. Did his mission, can you now say, was it in any way funded by any of these diverted funds?

I have no knowledge and I doubt if we'll ever find out since we have no information about how those funds were used once they were ultimately [illegible]

GRAPHIC: Photo, President Reagan steps aside as Attorney General Edwin [illegible] III [illegible] reporters at the White House. (President [illegible]

Exhibit DTR-55



UNCLASSIFIED

```
<HEADER>
\MSG FROM: NSWRP    --CPUA                                        11/28/86 14:18:3
 To: NSRBM    --CPUA                          NSPBT    --CPUA
 NOTE FROM: BOB PEARSON

<SUBJECT>
 Subject: OLN to DTR
                                                            N 19138
<TEXT>
 *** Forwarding note from NSHJW    --CPUA      11/28/86 13:59 ***
 To: NSWRP    --CPUA

 *** Reply to note of 11/28/86 13:42

                              -- SECRET --
NOTE FROM: HAROLD WEST
Subject: OLN to DTR
I HAVE SEARCHED BOTH SYSTEMS, WE HAVE NO MEMOS FROM NORTH TO REGAN DIRECTLY.
THERE ARE RECORDS GENERATED BY NORTH BUT WERE BRIEFING PAPERS FOR PRES MTGS
TRANSMITTED VIA POINDEXTER'S MEMO TO PRES AND REGAN ALONG W/ VICE PRESIDENT
WERE SENT INFO CYS.
```

2880

EXHIBIT
DTR-55

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1  OLN to DTR
```

Declassified/Released on 29 Jul 87
under provisions of E.O. 12356
By B. Reger, National Security Council

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Exhibit DTR-56

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THE WHITE HOUSE

WASHINGTON

2167

N 35428

EXHIBIT
DTR-56

December 8, 1986

MEMORANDUM FOR DONALD T. REGAN

FROM: David L. Chew

SUBJECT: Getting the Iran Facts Out

The weekend talk shows and newspapers produced no new changes or revelation on the Iran matter, but they all drove home one simple point: The President simply must get all the facts of what happened and his involvement in them into the public arena. There is still a great deal of confusion as to what happened when, who new what and how this all could have happened.

We have finally got the mechanisms and structure set properly. The Independent Counsel will review the legal matters; the Tower Commission will tell us what needs to be fixed at the NSC; and the Congress will determine what legislative actions need to be taken. All of these entities will attempt to reconstruct their version of the "facts." Under present procedures this will take weeks or perhaps months. The Independent Counsel, for example, is not likely to make his "facts" public, only his conclusions. Thus, the American people are to be subjected to the slow process of a gradual assembling of what happened rather than a more rapid accounting.

Getting the full story out has been our primary objective. The President has pledged to do so on a number of occasions. Your effort to put together a chronology of Presidential involvement was directed at this point. (Peter tells me NSC has said their records are so poor such a chronology is not possible to reconstruct -- what this tells us about NSC procedures is an important message for another discussion.)

Having the President make an accounting of what he knew when, while it has risks, I believe has enormous benefits.

While I don't have the final solution to how to go public with the facts, I hope we can spend some time this week exploring various possibilities. In our previous discussions we have agreed that making such a disclosure is conceptually a good idea, but we have not been able to agree on how it can best be done.

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By B. Reger, National Security Council

2888

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N 35499

We have taken virtually all the actions urged on us by the various commentators except the disclosure of the "facts" or the chronology. Our actions to date have helped to change the nature and tone of the public debate. We must, in my opinion, pursue how we can best take this next step.

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EXHIBIT DTR-57

COPY

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11312

N 532[illegible]

EXHIBIT
DTR-57

STATEMENT BY THE
PRINCIPAL DEPUTY PRESS SECRETARY

Many members of Congress have called for immunity for former National Security Adviser John Poindexter and for Lt. Col. Oliver North. These calls are based on a desire to have the full story come out as quickly as possible about Iran, the alleged transfer of funds, Swiss bank accounts -- everything.

The President agrees fully with these sentiments. Although he would like Colonel North and Admiral Poindexter to provide this information, he does not want them to be deprived of their constitutional rights. However, Congress passed legislation 16 years ago authorizing the Senate and the House of Representatives or any committee or sub-committee to grant special limited immunity to any witness so that the witness can give testimony that is pertinent to a Congressional inquiry. This limited immunity , called "use immunity", still permits prosecution based on evidence other than the testimony given before Congress.

Declassified/Released on 29 Jul 87
under provisions of E.O. 12356
by B. Reger, National Security Council

The President believes that there is an urgent need for full disclosure of all facts surrounding this controversy, so that we can get on with the business at hand and put this behind us. Therefore, the President is asking the Senate Select Committee on Intelligence for bi-partisan support to grant immunity to Admiral Poindexter and Lt. Col. North in the interest of the country as a whole.

2896

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Exhibit DTR-58

UNCLASSIFIED

N 9006

3-30 NSPG · Gates

· 60 days strike after 31 March

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EXHIBIT
DTR-58

UNCLASSIFIED

N 9007

[redacted] 5-12 P-450

• [illegible]; Oct 19th (P-dose + test press)

UNCLASSIFIED

N 9010

5-21 NSB

2 Heritage [illegible] : 25-17 May
Stonewall / [illegible]-[illegible]

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N 9011

5-28 NSA

P: H only has 2 ?

-OTR- [redacted] ?

- [illegible]

[redacted]

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N 9012

5-29 NSA
- I wanted that delivery before release
  - Said no
- will come back
- Another meeting & release first?
- offered to set of arms - I's agreed

[redacted]

UNCLASSIFIED

N 9016

6-26 NSA

- Contras
  - 30 days ammo left
  - McCurdy / Michel / Hamilton
  - → Commitment on McCurdy
  - Speech: House ?
  - — OTR → Camp David
    - Copy → Will Ball

- Hostages
  - No meeting until agree to rel

[redacted]

UNCLASSIFIED

N 9019

7-28 [illegible]

° Hostages – Sachs return these

RR: Should see him

[redacted]

Same place 9 men

killed hostages – $/M ?

Kuwait — no — don't ask

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N 90

7-30 NSC

o Hostages: info OK

RICK [redacted] meet w/us in Eur – extent of
must comm
Escape route [redacted]
location?
I prisoner away

[redacted]

2

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8-14 NSC

- Contra bill
  - 1-mint democracy
  - R.I.: [redacted] land supplies ?
- Schwimmer-
- Iran - copy ?
  - Carter - $ foreign assets ?
  - Hostages -

UNCLASSIFIED

N 9022

9-9 USA

• Katanga

– 1 at a time as all

– Ray [redacted] perhaps they

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10-3 USD

- Hostages
  RR: Don't want either side to win the battle

UNCLASSIFIED

N 9026

10-6 NSB

o Bandikoff & hostages (O.W. briefed Q)
RR: How get message re Kuwait 17?

(JMP: Public statement of thanks)

[redacted]

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N 5027

10-7 NSC

- Contra aircraft – US cits, not govt ?
  – cautious – not Singlaub.

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N 9018

[redacted] 11-6 NSD

o Hostages Jacobsen
Meet w/ AP et al
Interested in it
Need get all - in view of publicity
No comment posture
RR: Speculation - making more difficult
getting hostages.

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1 11-7 NSC N 9029

○ Hostages - Iran

RR [redacted]

Moderates or radicals - no comment.

RR: Cruise story (w. Time) re Syria

Brief: Hamilton / Hyde / Byrd

-- speaker to brief? (RR: Not as long as hostages)

(Congress status in session?)

RR: No way can comment without further damage to chance of getting hostages out

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11-12 NSG

N 9030

- Iran : 2 this weekend?

Ref statement [illegible] on Tues

RR : Public Statement : Legal

Policy re Iran ≥ '79

Nat reasons

Can't discuss dip contacts

military contacts

☑ Msg to Wash/[illegible]: not sure

☑ DTR : Brief leadership

Public statement by Friday

No alter Iran/Iraq Policy

Any parts above misleading

(Brief in Cg [illegible])

Silence w/ Press, offer brief today – do Fri!

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N 9031

11-13 NSG

O Iran speech - Telling to much
Deny - specifics [illegible] freights
No change in balance
Reference - AA spare parts
Tonight - TV 8:00 AM 15 min
Additional shipments - No
(OTR - how big? (Two))
less than one 747 or C-5 (cargo plane?)

RR: Should have gone public sooner

[illegible]?
Ordnance
Bird

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11-18 NSC N 9032

- RR - Press & (Forgive them, they know not.... / Hostages ?
- Finding - send State, DOD
- RR: Exemplified by Khomeini ?
  VP: Rabin / Israeli angle ?
  (JMP: No winking or nodding)
- RR: Describe material? (Story of 8-14 parts;
  (JMP: defensive weapons + spare parts for defensive systems) (See how it goes first press conference)
  (2008 TOWs / Hawk spares ⟹ C-5)
- VP No further commitments ? (No)
  (JMP: [redacted]

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N 9034

11-18 453

- Cerami knew about him? ([illegible])
(V/: who attended what meeting)
(Mulliken?)

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11-21 NSB (AGK, DTR, VP) [redacted]

o Iran

- channels still open
- McFarlane - misquoted
- Congress: organization/legal battery

[redacted]

[redacted]

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N 9036

11-26 NSG VP, DTR, AGR

- Iran – where go from here
  - DTR: what alternative to arms-assets
  - RR: Let Iran move – hostages out first.

Exhibit DTR-59

UNCLASSIFIED

Department of State

S/S-0
OUTGOING

PAGE 02 OF 03 STATE 386623 C01/05 003607 NOD451
ORIGIN NODS-00

INFO LOG-00 /000 R

DRAFTED BY: TEXT PROVIDED BY WHITE HOUSE
APPROVED BY: S/S: KMQUINN
D: MGROSSMAN (SUBS)
S/S-O: RMBISHOP
DESIRED DISTRIBUTION
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TO AMCONSUL FRANKFURT NIACT IMMEDIATE

~~T O P S E C R E T~~ STATE 386623

Partially Declassified/Released on ______
under provisions of E.O. 12356
by B. Reger, National Security Council

NODIS
TREAT AS SPECIAL CAPTION

E.O. 12356: DECL: OADR
TAGS:
SUBJECT: CAVE/DUNBAR TALKING POINTS FOR USE WITH
[redacted]

EYES ONLY FOR CHARLES DUNBAR OF NEA FROM S/S

1. TOP SECRET - ENTIRE TEXT.

2. FOLLOWING DISCUSSIONS WITH THE WHITE HOUSE, THE ACTING SECRETARY HAS DIRECTED THAT YOU USE THE FOLLOWING TALKING POINTS IN YOUR MEETING ON DECEMBER 13. THESE TALKING POINTS SUPERCEDE ALL PREVIOUS POINTS.

3. NSC/WHITE HOUSE APPROVED TERMS OF REFERENCE FOR CAVE/DUNBAR DISCUSSION WITH [redacted]

2242

EXHIBIT
DTR-59

UNCLASSIFIED

Department of State

S/S-0
OUTGOI

PAGE 03 OF 03 STATE 386623 C01/05 003687 N0045

-- THE MUTUAL STRATEGIC INTERESTS OF OUR NATIONS REMAIN UNCHANGED DESPITE RECENT REVELATIONS. THEREFORE, PRESIDENT INTENDS TO CONTINUE A CHANNEL OF COMMUNICATIONS TO THE GOVERNMENT OF IRAN.

-- THE CURRENT CHANNEL, EVEN THOUGH A COLLEAGUE WILL TAKE THE PLACE OF CAVE, WILL CONTINUE TO BE USED FOR BOTH POLICY AND INTELLIGENCE DISCUSSIONS.

-- IN THE FUTURE, THE DEPARTMENT OF STATE WILL BE ESTABLISHING AN APPROPRIATE CHANNEL FOR PASSING AUTHORITATIVE POLICY MESSAGES.

-- THE UNITED STATES SEES THE UTILITY OF HAVING A MEANS OF CONDUCTING A DIALOGUE WITH YOUR GOVERNMENT. HOWEVER, THERE WILL BE NO FURTHER TRANSFERS OF AMERICAN MILITARY EQUIPMENT TO YOUR GOVERNMENT WHILE IRAN REFUSES TO NEGOTIATE AN END TO IRAN-IRAQ WAR AND WHILE IRAN CONTINUES TO SUPPORT TERRORISM AND SUBVERSION.

-- THE CONTINUED HOLDING HOSTAGE OF U.S. CITIZENS IN LEBANON BY A GROUP SUSCEPTIBLE TO YOUR GOVERNMENT'S INFLUENCE REMAINS A MAJOR OBSTACLE IN THE IMPROVEMENT OF RELATIONS BETWEEN OUR TWO COUNTRIES.

-- WE TRUST THAT IN FURTHERANCE OF OUR MUTUAL GOALS, YOU WILL TAKE IT UPON YOURSELF TO ARRANGE THE RELEASE OF ALL WESTERN HOSTAGES HELD IN LEBANON AS QUICKLY AS POSSIBLE.
SHULTZ

EXHIBIT DTR-60

UNCLASSIFIED

N 35429063

THE WHITE HOUSE
WASHINGTON

December 15, 1986

DONALD T. REGAN:

Attached is a copy of a Statement by the President regarding the Iranian controversy that will be released on Tuesday, December 16th.

Also attached is a draft letter that has been forwarded to the President for his approval that will be sent to his Cabinet, Department and Agency heads, and to the senior White House staff.

[redacted]

DC

David L. Chew

ok signed

[redacted]

2872

EXHIBIT
DTR-60

[redacted]/Released on 29 Jul 87
under provisions of E.O. 12356
by B. Reger, National Security Council

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STATEMENT BY THE PRESIDENT

N 55491

There is an urgent need for full disclosure of all facts surrounding the Iranian controversy. We must get on with the business at hand and put this issue behind us.

It is my desire to have the full story about Iran come out as quickly as possible -- the alleged transfer of funds, the Swiss bank accounts, who was involved -- everything.

Although I would like Vice Admiral John M. Poindexter and Lt. Colonel Oliver North to provide this information, they should not be deprived of their constitutional rights. However, Congress may grant limited immunity to any witness so that the witness can give testimony that is pertinent to a Congressional inquiry. This limited immunity, called "use immunity", still permits prosecution based on evidence other than the testimony given before Congress.

Therefore, I am asking the Senate Select Committee on Intelligence to grant "use immunity" to Admiral Poindexter and Lt. Col. North in order that the whole truth -- all of the facts on Iran -- may be told. This is essential because the controversy surrounding the Iranian matter is becoming a preoccupation with the Congress and the news media. There is a need to get on with the business of government.

"Use immunity" -- as prescribed by law -- does not preclude that those responsible for any wrongdoing be brought to justice. Thus it does not interfere with the duties and responsibilities of the Independent Counsel.

2872a

UNCLASSIFIED

N 3549

Since the disclosure that funds from the sale of arms to Iran may have been diverted to assist the anti-Sandinista forces in Central America, I have been committed to seeing that all the facts are brought to light and shared with the American people. I established a special board chaired by former Senator Tower to review the activities of the NSC staff and make recommendations on how it could be improved; called for a coordinated Congressional inquiry; and endorsed the appointment of an independent counsel.

All of these actions were taken to find out what happened -- quickly and fairly. I write to you now to request your cooperation (and that of your agency) in having all the facts and information relating to this matter brought to the attention of the appropriate inquiry -- be it the Special Review Board, Congressional Committees, or the Independent Counsel.

Specifically, it is my hope that you will determine what, if any information you might have that could shed light on this matter, provide that information immediately to the appropriate inquiry, and respond to their efforts as they seek testimony, documents or materials. I understand this appeal may be extraordinary, but so too is the nature of this controversy. While debate over our policy goals toward Iran is understandable and appropriate, there can be no debate over

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N 35493

the need to answer all of the legitimate questions posed by those conducting the reviews and most importantly those asked by the American people. Total restoration of trust and confidence is dependent upon complete cooperation and full disclosure.

I will share with the American people everything I learn regarding this matter. It is imperative that those who have knowledge share it, those who have information provide it and those who have answers give them.

I pledged to the American people I would set things right. With you help we will.

Sincerely,

Ronald Reagan

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EXHIBIT DTR-61

UNCLASSIFIED COPY

N 53270

December 15, 1986

NOTE

The attached statement seeks to establish a positive tone and reflect your open and responsive approach to the Committee's inquiry.

The statement does not attempt to be a substantive outline of what you know or what you do not know. It is felt that information should be provided in response to questions.

Rather than releasing an opening statement, "sense of purpose" remarks as you walk to the Hearing would be better. A relaxed demeanor and words that say "I welcome this opportunity, and will answer all questions" will be the message in. The message out might be "I hope my appearance demonstrates the President's commitment to cooperate and has assisted the Committee in its work.

The Press will attempt to show you defending your self -- you will want to show the President and you being responsive and cooperative.

2596

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under provisions of E.O. 12356
By B. Reger, National Security Council

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EXHIBIT
DTR-61

EXHIBIT DTR-62

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N 53274

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release December 16, 1986

STATEMENT BY THE PRESIDENT

There is an urgent need for full disclosure of all facts surrounding the Iranian controversy. I want to get this information out. We must get on with the business at hand and put this issue behind us.

It is my desire to have the full story about Iran come out now -- the alleged transfer of funds, the Swiss bank accounts, who was involved -- everything.

The law provides a process for Congress to obtain this information from Vice Admiral John M. Poindexter, Lieutenant Colonel Oliver North, and any other witnesses without depriving them of their constitutional rights.

Congress passed legislation 16 years ago authorizing the Senate and the House of Representatives or any committee or sub-committee to grant special limited "immunity" to any witness so that the witness must give testimony that is pertinent to a Congressional inquiry. This limited immunity also protects the witness by providing that such testimony cannot be used against him in any criminal proceedings. At the same time the law still permits prosecution based on all evidence other than the testimony given before Congress.

Such "use immunity" is not amnesty or clemency. This legal process obtains the facts before Congress but does not prevent those responsible for any wrongdoing from being brought to justice. Thus it does not interfere with the duties and responsibilities of the Independent Counsel.

Therefore, I am asking the Senate Select Committee on Intelligence to immediately seek "use immunity" for Admiral Poindexter and Lieutenant Colonel North in order that the whole truth -- all of the facts on Iran -- may be told. This is essential because of the controversy surrounding the Iranian matter. There is an absolute need to get on with the business of government.

# \# \#

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2878

EXHIBIT DTR-63

UNCLASSIFIED 11234

THE WHITE HOUSE

WASHINGTON

December 30, 1986, JBS Letter with 10 attachments filed in Safe in Sit Room, with copy in JBS classified chrons. (Letter to House Permanent Select Committee on Intelligence)

N 54438

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by B. Reger, National Security Council

2893

EXHIBIT
DTR-62

UNCLASSIFIED

THE WHITE HOUSE
WASHINGTON

December 22, 1986

N 54439

Dear Mr. Chairman:

During my testimony on Thursday, December 18, Congressman McCurdy asked me to review a cable dated January 25, 1986, to the Director of Central Intelligence regarding the movement of TOW missiles, and to advise whether that cable or its subject was reviewed by or known to the President.

I have discussed this matter with the President and Vice President and am authorized to advise that neither they nor I could recall having seen the cable prior to the time it was brought to our attention by your Committee; nor were any of us aware, until the cable was brought to our attention, of a proposal to deliver the information discussed in the cable.

I hope this information is helpful to the Committee's inquiry.

Sincerely,

Donald T. Regan

Donald T. Regan
Chief of Staff to the President

The Honorable Lee Hamilton
Chairman
House Permanent Select
Committee on Intelligence
Washington, D.C. 20515

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THE WHITE HOUSE
WASHINGTON

December 22, 1986

N 54440

Dear Mr. Chairman:

During my testimony on Thursday, December 18, Congressman McCurdy asked me to review a cable dated January 25, 1986, to the Director of Central Intelligence regarding the movement of TOW missiles, and to advise whether that cable or its subject was reviewed by or known to the President.

I have discussed this matter with the President and Vice President and am authorized to advise that neither they nor I could recall having seen the cable prior to the time it was brought to our attention by your Committee; nor was any of us aware, until the cable was brought to our attention, of a proposal to deliver the information discussed in the cable.

I hope this information is helpful to the Committee's inquiry.

Sincerely,

Donald T. Regan
Chief of Staff to the President

The Honorable Lee Hamilton
Chairman
House Permanent Select
  Committee on Intelligence
Washington, D.C. 20515

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THE WHITE HOUSE
WASHINGTON

December 22, 1986 letter and attachments filed in safe in sit room with a copy of the letter in JBS classified chrons.

N 54441

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EXHIBIT DTR-64

THE LIBRARY OF CONGRESS
WASHINGTON, DC 20540

TRANSLATION OF LETTERS

Congressional Member or Committee: Senate Select Comm on Secret Military Assistance to Iran and the Nicaraguan Opposition

Language: Persian

Material Submitted: article

Date of Material: June 5, 1987

Name and Address of Sender: ____________

Suggested Salutation: ____________

Translated by: Ibrahim V. Pourhadi (Name) African and Middle Eastern (Division) Area Studies Research Services (Department) 6.A

Date: June 8, 1987

☒ Complete ☐ Abstract—Please call the Congressional Research Service (287-5700), if a complete translation is desired.

Mehr 16, 1365 (October 8, 1986)
Time of Discussion early afternoon to late at night.
Formation of us and Hakim

1. Iran pays for 500 TOWS to HAKIM and if willing, Iran will provide the funds for the HAWK spare parts which remain from the earlier agreement.

2. In 9 working days, the 500 TOWS and the HAWK spare parts (pending Iran's approval), and free (gifted) medicines will be delivered to Iran.

3. Before item 4 as stated below is carried out, Albert will present the plan for the release of the 17 Kuwaitis imprisoned in Kuwait.

4. One and one-half (1 definitely and the 2 with empathic effort) American hostages in Lebanon, through the effort of Iran, will be freed from the hands of the Lebanese. (3-4 days after the delivery of point 2 items).

Translator's Comments:

EXHIBIT
DTR-63

Establishing letter of credit method, will be studied by Albert and Ali [redacted] by tomorrow night.

500 TOWS and maximum of 100 launchers), within 4 days after the execution of item mentioned above, will be delivered to IRAN. IRAN will pay the money for 1500 TOWS (the 500 TOWS mentioned above and also additional 1000 TOWS and the 1000 TOWS will be delivered to IRAN within nine days.

6. America will support IRAN with technical assistance, material and specialized know-how, reorganize the military intelligence, maps and communication links. Also prepare the Cart related to the items provided by Ali [redacted] indicating prices and delivery to IRAN.

7. Before returning to Tehran, the case of the Muslim prisoners (Shi'ites) in Lebanon and the manner of their release should be studied with Secord and parties involved.**

8. IRAN will pursue its efforts for establishing the grounds for the release of the rest of the hostages.

9. The steps for delivery of items referred to in the second part of item 6 mentioned above will start.

*The Letter of Credit will be opened in favor of Mr. Husaini and will make the oney for the 500 TOWS available by utilizing 60 percent of the Letter of Credit.

After discussion between Mr. Secord and Mr. Samii, it was agreed regarding to lim prisoners that letter be written "Israel and its Lahd organization" Text ll be written in the following manner . . .

Translation by Albert Hakim of

the Farse Original of the "9 Points"

Note: The date is the 16th day of the 7th month of the Iranian year which I believe corresponds to 8 October 1986, but needs to be checked. It also indicates the discussions started in the afternoon and lasted until late at night.

Summation of Us and Hakim

1. Iran provides funds to Mr. Hakim for 500 TOWs and, if willing, Iranians will provide for the Hawk spare parts which remain from the previous agreement.

2. Nine working days from now the 500 TOWs and the Hawk spare parts (if accepted by Iran) and the gifted medicines will be delivered to Iran.

3. Before executing Item 4 below, Albert will provide the plan for the release of the Kuwaitis (17 persons).

4. 1 1/2 (1 definitely and the 2nd with all effective possible effort) American hostages in Lebanon, through the effort of Iran, will be released by the Lebanese.

*5. Using the Letter of Credit method, (three to four days after delivery of shipment stipulated in Item 2) additional 500 TOWs (together with a maximum of 100 launchers), within four days after the execution of Item 4 above, will be delivered to Iran. The method of Letter of Credit will be reviewed between Albert and Oliver (Ali) by tomorrow night. Iran will pay the funds for 1500 TOWs (the 500 TOWs mentioned above plus an additional 1000 TOWs) and the 1000 TOWs will be delivered to Iran within nine days.

6. The United States will start with the technical support of the Hawks (material and know-how), update of the military intelligence and maps, establishment and commissioning of the special communication link.

and will prepare the chart related to the items (provided by Mr. __________) indicating price and delivery to Iran.

[illegible]

Israel and its cover organization, La Had, and the text written in the Seven Step Document of Mr. North (illegible)

**7. Before the return of Mr. No name to Tehran, the subject of the Moslem prisoners (Shia) in Lebanon and the manner of their release by the involved parties will be reviewed by Mr. Secord.

8. Iran will continue its effort for creating the grounds for the release of the rest of the hostages.

9. The steps for delivery of items referred to in the second part of Item 6 above will start.

* The Letter of Credit will be opened in favor of Mr. Hosein and he will make the money for the 500 TOWs available by using 80% of the Letter of Credit.

** After discussion between ~~Mr~~ Messrs. Secord and Mr. Samii (Prominent Banker in Iran) it was agreed regarding regarding the Moslem prisoners that the sentence (text) will be written in the following manner:

Israel and its . . . .

former Chief Central Bank now in London

Shakastali = broken
So ordinary person would
have trouble to read —
Bazaari people —

EXHIBIT DTR-65

MEMORANDUM TO DONALD REGAN   N 13676

FROM: David C. Fischer

SUBJECT: Aid to Contras Meeting

DATE: 5 January 1986

Attached is the briefing paper for the proposed aid to the Contras meeting. No private group of Americans have better supported the President's Central America program as well as other issues critical to Ronald Reagan. Their efforts resulted in highly effective network television and newspaper messages. Transcripts of a few television spots are attached. A compilation of all 15 and 30 second television spots is available on video cassette tape.

My conversations with Bud McFarlane, Oliver North and Assistant Secretary Elliott Abrahms confirm my belief that this meeting is in the President's best interest and will greatly enhance his efforts in educating Americans and their elected representatives on Capital Hill. Time is critical. The meeting should be held in January thus enabling this group to mobilize their efforts as quickly and effectively as possible.

Once these men and women realize the President recognizes and appreciates their contribution towards his programs their continued enthusiastic support will be guaranteed.

A ten day notification period is needed to insure good attendance at this briefing. The names and accompanying required information have been given to the Secret Service for background checks.

EXHIBIT
DTR-64

MEETING WITH SUPPORTERS OF THE CENTRAL AMERICAN FREEDOM PROGRAM

January __, 1986
Roosevelt Room
Approx: 4:30 pm

N 13677

PURPOSE

The American Conservative Trust and The National Endowment for the Preservation of Liberty have sponsored several programs in support of the President's policies including S.D.I., Central America and Arms Control. This briefing is for the principal financial contributors whose patriotism and generosity have made these public education programs so successful and influential.

BACKGROUND

In 1985 ACT & NEPL spent in excess of $3 million in supporting the President's programs through public awareness using television and newspaper messages. Their Central American Freedom Program was initiated in June. White House contacts with Oliver North, NSC, and Linda Chavez resulted in three White House sponsored briefings held in the EOB on June 21, October 17 and November 21. A representative of ACT & NEPL was invited to a Presidential S.D.I. Cabinet Room briefing where the President acknowledged viewing their S.D.I. program's network television message. A post Geneva tribute to the President was also aired on all network affiliates.

This group has budgeted $3 million for educating public opinion on the issue of aid to the contras over the first few months of 1986. The purpose of this briefing is to: (1) provide current status report on the situation in Nicaragua; (2) recognize and express gratitude for their efforts in supporting the President; (3) encourage continuance of their generosity in funding these worthwhile projects.

PARTICIPANTS

Approximately 30 supporters and four staff members.

PRESS PLAN

White House photographer only.

SEQUENCE OF EVENTS

--Greeting by Chief of Staff Don Regan

--Briefing by Admiral Poindexter & Oliver North

--Briefing by Assistant Secretary Elliott Abrahms

--5 minute drop-by of the President

SPONSOR: AMERICAN CONSERVATIVE TRUST
"[illegible]"

30 SEC

N 13678

"The President is working long into the night for a lasting world peace.

(Move in)

He will carry with him to the summit his program and our hopes for disarmament.

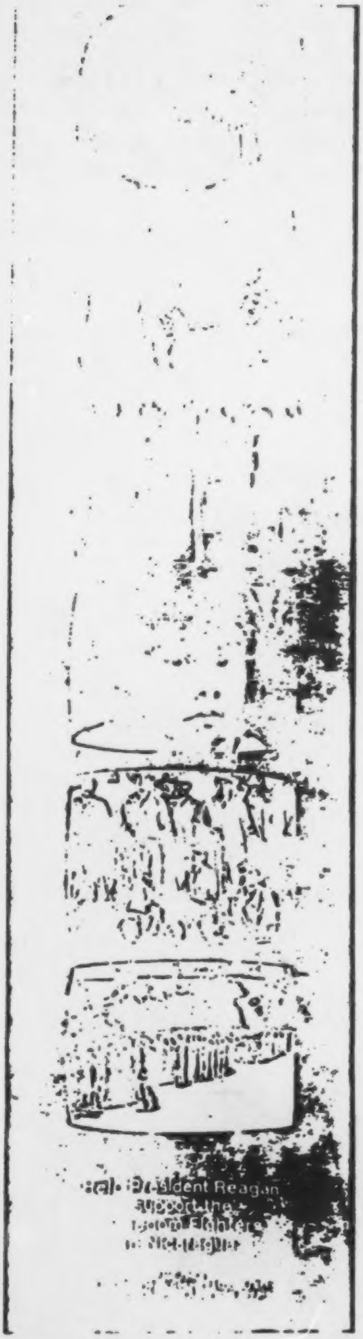
(Dissolve to child asleep)

And if we can, indeed, create a defensive shield to keep the weapons of nuclear destruction far from this earth...

(Dawn breaks)

...then she, we, all of us can awaken to a morning of peace and security we haven't had in thirty years.

Tell the President your prayers are with him. You can...by calling this number.
The American Conservative Trust."



N 1367

MUSIC, UNDER FOR

"Freedom can't work on an empty stomach. People...

(Pull back)

...without hope have little to hope for and nothing to fight for.

President Reagan wants to help the people of Nicaragua...not with guns...

(Move in)

...but with food and medicine. Giving them the chance to find their own future...

(Pull back)

...without American boys fighting or dying on foreign soil. If we support our...

(Pull back)

...President today, our boys won't be sent out to die tomorrow.

Tell your Congressman you want freedom to stay alive in Nicaragua."

(Move in)

"This is a message in search of two votes. Two more Congressmen who will vote 'no' to Communism in Nicaragua.

N 13680

(Pull back)

We know what happened when the last vote failed.

While Sandanistas danced in the streets, Commandante Ortega celebrated in Moscow.

(Pan left to right)

And Russia promised two hundred million more dollars in military and other aid to their Russian friends.

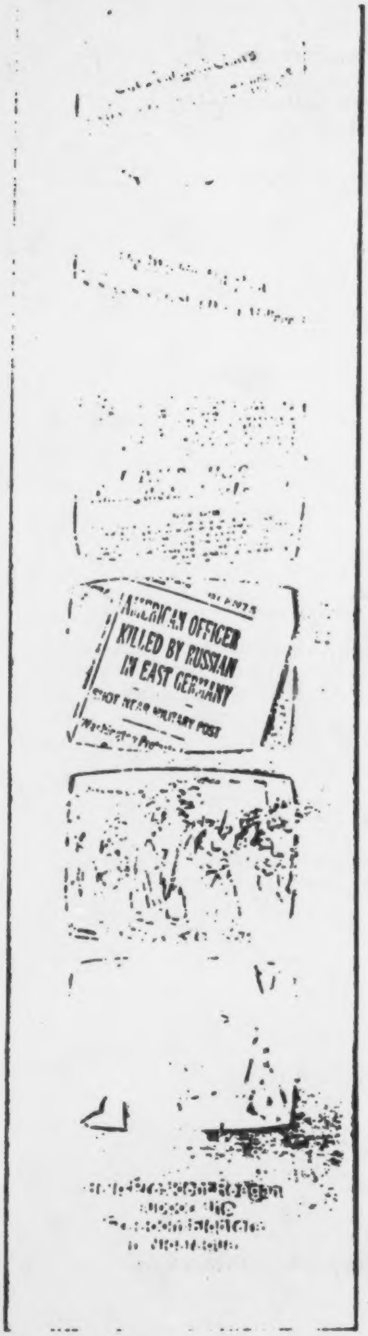
(Move in)

They had a ball, alright. This time, let's tell them...

(Fade to Black)

...the party's over."

"The American Conservative Trust"


AMERICAN OFFICER
KILLED BY RUSSIAN
IN EAST GERMANY
SHOT NEAR MILITARY POST

DRUM BEATS, UNDER FOR

"When the Russians shot down Korean airliner double-oh seven...

N 13681

...killing sixty-one Americans and Congressman Larry...

...McDonald, America protested and went about its business.

(Pull back)

When a Russian soldier shot down American Major Arthur D. Nicholson in East Germany, America mourned... and went about its business.

(Pull back)

The freedom fighters in Nicaragua need our help now. If we just keep going about our business...

(Move in)

...one day freedom will be out of business.

Tell your Congressman you want freedom to stay alive in Nicaragua."

THE WHITE HOUSE
WASHINGTON

January 10, 1986

DONALD T. REGAN: N 13675

Attached is the material on Central America that Dave Fischer promised to get to you. I am discussing this with the NSC to be sure they are on board and supportive. Dave thought you would be interested in seeing the 4 minutes of their commercials so a video tape is attached. Dave is hopeful that a Roosevelt Room briefing can be arranged (with a Presidential drop by) so that this group can be helpful in the upcoming legislative effort.

Approve briefing subject to full verification (time to be determined) ______

Need more info before discussing ______

David Chew

EXHIBIT DTR-66

August 25, 1986

Memo to David Fischer

RE: Draft memo for Don Regan

FROM: Spitz Channell, National Endowment for the Preservation of Liberty and President of Sentinel.

In January 1986, the National Endowment for the Preservation of Liberty and Sentinel initiated a $4.1 million educational and lobbying campaign which eventually reached 25 states. The purpose of this 8 month campaign was to give support to President Reagan's Nicaraguan policies with special focus on the Freedom Fighter aid package the President submitted to the Congress for approval in January.

Many consider this effort to be the largest of its kind devoted to supporting Ronald Reagan on a foreign policy issue in the past 6 years.

Television educational and informational messages were broadcast by the National Endowment for the Preservation of Liberty in 49 Congressional districts and the Distric of Columbia in varying degrees of intensity from March through August (139 days). Ads were broadcast in difficult-to-win Congressional districts whose Congressmen were undecided as to their vote for or against Freedom Fighter aid. Over $2,500,000 went to the television campaign alone.

a zero

$750,000 was spent by Sentinel directly to build Congressional support for President Reagan. This included advocacy television messages in 32 Congressional districts, the production of two 30 minute television documentaries supporting the Nicaraguan Freedom Fighter cause filmed secretly in Nicaragua, active lobbying of Congress by a staff of 5, newspaper ads in major media markets (New York and the District of Columbia), and continuous work with Assistant Secretary, Bureau of Inter-American Affairs, Department of State, Elliott Abrams.

EXHIBIT
DTR-65

$600,000 was spent by the National Endowment for the Preservation of Liberty to conduct pro-Nicaraguan Freedom Fighter speaking tours in 27 Congressional districts in the 7 months prior to the first House vote in March on Freedom Fighter aid.

$85,000 was devoted to nine Washington, D.C. briefings with opinion leaders, political activists, and volunteer supporters for the Nicaraguan Freedom Fighter cause.

On the day in June of the historic House reversal, which resulted in a victory for Ronald Reagan on Freedom Fighter aid, it was determined that the National Endowment for the Preservation of Liberty and Sentinel had carried the support program for the President successfully into 32 of the 51 Democratic districts that ultimately stood with Ronald Reagan on this issue.

EXHIBIT CWW-1

[illegible] Attorney General
Washington, D.C. 20530

#C 1600

OCTOBER 5, 1981

UNCLASSIFIED

EXHIBIT
CWW-1

The Honorable William J. Casey
Director
Central Intelligence Agency
Washington, D.C. 20505

Re: CIA Exchange of U.S. Weaponry for [redacted] (S)

Dear Bill:

We have been advised by the State Department's Legal Adviser that the Foreign Assistance Act and the Arms Export Control Act were not intended, and have not been applied, by Congress to be the exclusive means for sales of U.S. weapons to foreign countries and that the President may approve a transfer outside the context of those statutes. Accordingly, I believe the exchange for [redacted] may be legally completed, based upon a determination by the President that these Acts cannot be used and that the authorities of the Economy Act and National Security Act may be utilized to achieve a significant intelligence objective. In order to satisfy the Congressional reporting requirements imposed on the Secretary of Defense under DoD Appropriations Authorization Acts (10 U.S.C. 133, Note) and on you by the Intelligence Oversight Act of 1980 (50 U.S.C. 413), the House and Senate Intelligence Committees should be informed of this proposal and the President's determinations. (S)

Sincerely,

Bill

WILLIAM FRENCH SMITH
Attorney General

Partially Declassified/Released on [illegible]
under provisions of E.O. 12356
by B. Reger, National Security Council

3017

Classified by Derivative: State Department
~~Memorandum of Law, October 2, 1981.~~
Review for Declassification: 10/2/2001.

UNCLASSIFIED

EXHIBIT CWW-2

~~SECRET~~

U 2000

SECRETARY OF THE ARMY
WASHINGTON

9 May 1983

UNCLASSIFIED

EXHIBIT
CWW-2

MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: Sensitive DOD Support [redacted] Activities (S)

(S) As you are aware, the Department of Defense (DOD) provides sensitive operational and logistic support to the [redacted] requests for DOD support are often in furtherance of [redacted] activities (covert action), as reviewed by the National Security Planning Group (NSPG) and approved by the President. With increasing frequency, due largely to the Presidential Findings [redacted] the [redacted] has been requesting DOD support which should be considered significant and raises some difficult policy and legal questions. Three examples of significant and sensitive DOD support which have been requested [redacted] in connection with its activities [redacted] are set forth in Tab A.

(S) The purpose of this memorandum is to raise several issues regarding the manner in which [redacted] requests for DOD support are reviewed within the appropriate agencies of the Executive Branch and are reported to Congress, if necessary. These types of issues have taken on special significance in light of the increased Congressional and media interest in this area. This memorandum is not intended to challenge the validity or utility of covert action as a tool of foreign policy or to call into question the process by which Presidential Findings are reviewed and approved.

(S) [redacted] requests for DOD support are reviewed within DOD to determine whether DOD is willing to and capable of providing the requested support. Presumably, before such requests are made of DOD, they are reviewed within the CIA and other appropriate agencies, and determined to be legal and proper. There are, however, at least four important issues which may not be receiving sufficient attention in the review process, either within or outside DOD.

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Partially Declassified/Released on 12 May 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

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[redacted]

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See Def Cont Nr. X2544
TAL-860-4185

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(S) First, there is a question regarding the underlying authority by which DOD provides support to [redacted] special activities.. There is, of course, no explicit statutory authority for the [redacted] to conduct or the DOD to support special activities. Rather, the National Security Act, the inherent powers of the President, a Presidential Executive Order, and the Congressional authorization and appropriation process are used to authorize special activities in general. The Economy Act is usually cited as the authority by which DOD supports [redacted] special activities.

(S) Rarely has authorization or recognition of the need for DOD support been acknowledged in the Presidential Finding supporting the special activity. Recently, however, [redacted] the Attorney General requested that DOD support to [redacted] special activities be authorized by the President. The [redacted] DOD, and the Department of Justice have agreed that foreseeable and significant DOD support (to be determined pursuant to a reasonableness test), will be noticed explicitly within the Presidential Finding and that all other support will be set forth in the scope paper which accompanies the Finding. While not as definitive as explicit statutory authority, such an arrangement will substantially solidify the authority by which DOD provides support to the [redacted] on a case by case basis.

(TS) The second major issue relates to the breath of Presidential Findings and the question of whether DOD support which is requested is consistent with and authorized by the Finding. Presidential Findings, by necessity and nature, are broad in scope, though by no means limitless. Also, Findings are often operative for a number of years. Support requests must be reviewed to determine whether they are within the legal parameters of the Finding which the request seeks to implement. [redacted] Thus, while I executed the approval memorandum, I conditioned my approval upon an a priori notification to Congress of the exact nature of the operation given conflicting mission statements in the transmittal memoranda between the participating agencies. For this, and various other reasons, the Army raised objections to the support request and it was eventually withdrawn [redacted].

~~TOP SECRET~~ UNCLASSIFIED

(S) Additionally, and perhaps most importantly, requests for sensitive DOD support must be reviewed for compliance with the statutory requirements relating to Congressional oversight of special activities (50 U.S.C. § 413; 22 U.S.C. § 2422) and the War Powers Resolution (50 U.S.C. §§ 1541-1548). The CIA must, of course, inform the Congressional Intelligence Oversight Committees of all special activities. Similarly, the President must consult with and report to Congress whenever armed forces are introduced into situations involving the imminent threat of hostilities. Although the CIA is a civilian agency and is thus not governed by the War Powers Resolution, it is conceivable that a CIA special activity involving DOD support could invoke the reporting requirements of both 50 U.S.C. § 413 (with regard to the CIA special activity) and the War Powers Resolution (with regard to the involvement of U.S. armed forces). Moreover, even if the requested DOD support does not invoke the War Powers Resolution, it may invoke the 50 U.S.C. § 413 and Executive Order 12333 requirements to report to the Congressional Intelligence Oversight Committees.

(S) Finally, with regard to Central America, requests for support must also be reviewed to determine compliance with the Boland Amendment. That amendment was attached to the DOD Appropriation Act and prohibits the CIA or DOD from expending funds for the purposes of overthrowing Nicaragua or provoking a military exchange between Nicaragua and Honduras.

(S) The problem which I perceive relating to these issues is the absence of a system or process by which they are addressed. Unlike the more formal process by which Presidential Findings are reviewed within the NSPG, the above issues relating to [redacted] requests for DOD support are reviewed for legality, if at all, in an ad hoc manner, both within and outside DOD. It appears that support requests are reviewed by the Office of the General Counsel of the [redacted] only if the operational component believes that the request raises a legal issue. At the State Department, the Office of the Legal Adviser reviews all significant support requests; however, requests relating to Central America are reviewed exclusively by the Central American Management Core Group. Finally, within DOD, I do not believe that the Deputy Under Secretary of Defense (Policy) routinely solicits the review of the Office of the General Counsel. Because of the subtle, but volitile legal aspects of the issues discussed above, I

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believe it is important that all significant requests for sensitive DOD support be reviewed in a consistent and systematic manner, to include an appropriate role for the agencies' legal adviser, within and among all affected agencies. Also, such a system guarantees that the heads of each agency are aware of the scope of the agency's involvement in special activities.

(S) Within the Army, I am pleased with the review system which has been established. All requests for Army [redacted] support are submitted by the JCS [redacted] officer to the Army [redacted] officer. If the request is for major end items of military equipment; the initiation of or change to any specialized, unique, or sensitive service; the initiation of or change to programs involving substantial expenditures of money; or requests which require an exception to policy, I personally review and approve the request. Before it is submitted to me, it is reviewed by the Deputy Chief of Staff for Operations and Plans, any other Army staff chief affected by the request, the Chief of Staff, and the General Counsel. The Army staff addresses primarily the question of whether the Army is capable of providing the requested support. The General Counsel examines the issues outlined above. In light of the guidance I receive, I determine whether the Army should provide the requested support.

(S) Based upon the foregoing, I believe it is important that you encourage the establishment of formal intra and inter-agency procedures, including the participation of the Department of Justice, relating to the review of requests to support [redacted] activities. In addition, because of the significance of the issues involved, the Army will continue to scrutinize for legality and propriety all arguably significant requests for military support implicating the issues noted above.

(U) If I can be of any further assistance, please feel free to contact me.

John O. Marsh, Jr.
John O. Marsh, Jr.

Attachment

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Examples of Significant CIA Requests for Support

[redacted]

Partially Declassified/Released on 12 May 198
under provisions of E.O. 12356
by B. Reger, National Security Council

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EXHIBIT CWW-3

TOP SECRET

THE SECRETARY OF DEFENSE
WASHINGTON THE DISTRICT OF COLUMBIA

D 2884

UNCLASSIFIED

13 JUN 1983

MEMORANDUM FOR THE SECRETARY OF THE ARMY

SUBJECT: DoD Support [redacted] Activities (S)

(S) Your 9 May memorandum on management of DoD support to [redacted] activities raises significant points.

(S) I agree that the procedure whereby foreseeable and significant DoD support will henceforth be noted in the Presidential Finding, with other DoD support requirements to be cited in the scope paper, provides a solid authority for our support.

(S) Your point concerning notification to the Congressional committees is well taken. The Deputy Under Secretary of Defense for Policy (DUSD(P)) is responsible for action on these notifications after appropriate coordination with the DoD General Counsel, DoD Legislative Liaison, CIA, the Joint Staff, DIA, and the Military Departments. Our current project -- in which your representatives are participating -- to identify significant and sensitive activities to be reported to me and, if necessary, to the Congress, should assist in decisions on matters in this area. We must comply fully with all statutory and Presidential direction on such reporting. Beyond these requirements, I wish to be as diligent in informing the appropriate Congressional committees as good management and division of authority between the Legislative and Executive Branches permit. However, we must recognize the primary responsibility of the DCI concerning decisions on reporting special activities to the Congress.

(S) Internal [redacted] requests for DoD support I see as a matter for the [redacted] DUSD(P) recently discussed this and related concerns with senior personnel of [redacted] and was assured that [redacted] would review its internal coordination to ensure proper consideration of legal issues before such requests are made to DoD.

768

Partially Declassified/[illegible] 5-13-87
[illegible]

Downgrade to SECRET
Upon Removal of Tab A

Classified by: SecDef
Declassify on: OADR

UNCLASSIFIED

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MICROFILE # 353001

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Sec Def Cont Nr. TS0016

TOP SECRET U 2085

(S) Our current DoD process for staffing [redacted] requests for operational support through the [redacted] system is proper. All such requests should be handled through the [redacted] system pursuant to DepSecDef letter, subject: Provision of [redacted], Operational and Logistic Support (U), 20 December 1979. [redacted]

(S) In this connection, OSD and Joint Staff records indicate that the three examples you cited were properly handled by those offices; further details are at Tab A.

(S) Legal counsel is readily available to all participants in this process. All proposals and requests for action in these areas referred to OSD are handled by the DUSD(P). The latter's staff is especially experienced in and attuned to policy, procedural constraints, and general legal issues pertinent to these activities. In addition, in order to ensure that a complete legal review is carried out, all such requests will be referred to the Office of the DoD General Counsel for evaluation. In view of the institutionalized legal review, the establishment of additional intra-agency or interagency review procedures to evaluate and advise outside the current interagency coordination process is not necessary. An additional review process, independent of the department heads' regular policy and operations process, would be inefficient, and undermine agency heads' normal management and control.

(S) DUSD(P), with the Joint Staff, is working on a proposed [redacted] Memorandum of Understanding (MOU) [redacted] and Other Support [redacted]. This MOU will be coordinated with DIA and the Military Departments. The DUSD(P) will ensure that DoD implementinc instructions accompanying the MOU emphasize the need for appropriat legal counsel at each level of decision. [redacted]

(S) Your memorandum raises a question about the nature and extent of [redacted] direct exploratory discussions with elements of the Military Services concerning possible support before the matter is referred to the Joint Staff and OSD through the [redacted] System. I have instructed the DUSD(P) to evaluate this process to determine if he should undertake an increased role in the early stages of the process.

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Exhibit CWW-4

UNCLASSIFIED

OFFICE OF THE SECRETARY OF DEFENSE
THE MILITARY ASSISTANT

18/6

SEC DEF
HAS SEEN
JUN 18 1985

Sec Def,

This came in "Eyes Only" for you. After you have seen recommend I pass to Rich Armitage for analysis.

C

[redacted]

This is almost too absurd to comment on - By all means pass it on to Rich - but the assumption here is 1) Iran is about to fall & 2) we can deal with them on a rational basis - It's like asking Qadhafi to Washington for a cozy chat

Partially Declassified/Released on 27 Aug '87
under provisions of E.O. 12356
by B. [illegible] National Security Council

1238

EYES ONLY UNCLASSIFIED TOP SECRET

OFFICE OF THE SECRETARY OF DEFENSE

THE MILITARY ASSISTANT 19 Jun 85

NOTE FOR USD(P)
ASD(ISA)

Yours for action. See my recommendation and SecDef's comment on the attached. SecDef's comments read as follows:

"This is almost too absurd to comment on. By all means pass it to Rich, but the assumption here is: 1) that Iran is about to fall, and 2) we can deal with that on a rational basis. ~~[illegible]~~ like asking Qadhafi to Washington for a cozy chat."

Colin L. Powell
Major General, USA
Senior Military Assistant
to the Secretary of Defense

cc: DepSecDef

EYES ONLY
UNCLASSIFIED

[redacted] 0010 [redacted]

UNCLASSIFIED

THE WHITE HOUSE

WASHINGTON

June 17, 1985

[illegible]
[illegible] 17 [illegible]
D 91

SEC DEF
HAS SEEN
JUN 18 1985

~~SECRET~~/WITH
~~TOP SECRET~~ ATTACHMENT

MEMORANDUM FOR THE HONORABLE GEORGE P. SHULTZ
The Secretary of State

THE HONORABLE CASPAR W. WEINBERGER
The Secretary of Defense

SUBJECT: U.S. Policy Toward Iran ~~(S)~~

The Director of Central Intelligence has just distributed an SNIE on "Iran: Prospects for Near-Term Instability", which I hope you have received. This SNIE makes clear that instability in Iran is accelerating, with potentially momentous consequences for U.S. strategic interests. It seems sensible to ask whether our current policy toward Iran is adequate to achieve our interests. My staff has prepared a draft NSDD (Tab A) which can serve to stimulate our thinking on U.S. policy toward Iran. I would appreciate your reviewing the draft on an eyes only basis and providing me with your comments and suggestions. I am concerned about the possibility of leakage should we decide not to pursue this change in policy with the President. If you feel that we should consider this change, then I would refer the paper to the SIG(FP) in preparation for an NSPG meeting with the President. ~~(S)~~

Bud

Robert C. McFarlane

22 June '87

[illegible]

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TOP SECRET ATTACHMENT
[illegible]

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NSC/ICS 40201

THE WHITE HOUSE

WASHINGTON

DRAFT

Partially Declassified/Released on 22 Jan 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

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D 92

NATIONAL SECURITY DECISION
DIRECTIVE

U.S. Policy Toward Iran

Dynamic political evolution is taking place inside Iran. Instability caused by the pressures of the Iraq-Iran war, economic deterioration and regime infighting create the potentia for major changes in Iran. The Soviet Union is better positione than the U.S. to exploit and benefit from any power struggle tha results in changes in the Iranian regime, as well as increasing socio-political pressures. In this environment, the emergence o a regime more compatible with American and Western interests is unlikely. Soviet success in taking advantage of the emerging power struggle to insinuate itself in Iran would change the strategic balance in the area. [redacted] While we pursue a number of broad, long-term goals, our primary short-term challenge must be to block Moscow's efforts to increase Soviet influence (now and after the death of Khomeini). This will require an active and sustained program to build both our leverage and our understanding of the internal situation so as to enable us to exert a greater and more constructive influence over Iranian politics. We must improve our ability to protect our interests during the struggle for succession.

U.S. Interests and Goals

The most immediate U.S. interests include:

(1) Preventing the disintegration of Iran and preserving it as an independent strategic buffer which separates the Soviet Union from the Persian Gulf;

(2) Limiting the scope and opportunity for Soviet actions in Iran, while positioning ourselves to cope with the changing Iranian internal situation;

(3) Maintaining access to Persian Gulf oil and ensuring unimpeded transit of the Strait of Hormuz; and

(4) An end to the Iranian government's sponsorship of terrorism and its attempts to destabilize the governments of other regional states.

(1238b)

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D 93

We also seek other broad and important, if less immediately urgent, goals.

(1) Iran's resumption of a moderate and constructive role as a member respectively of the non-communist political community, of its region, and of the world petroleum economy;

(2) continued Iranian resistance to the expansion of Soviet power in general, and to the Soviet occupation of Afghanistan in particular;

(3) an early end to the Iran-Iraq war which is not mediated by the Soviet Union and which does not fundamentally alter the balance of power in the region;

(4) elimination of Iran's flagrant abuses of human rights;

(5) movement toward eventual normalization of U.S.-Iranian diplomatic consular and cultural relations, and bilateral trade/commercial activities;

(6) resolution of American legal and financial claims through the Hague Tribunal; and

(7) Iranian moderation on OPEC pricing policy.

Many of our interests will be difficult to achieve. But given the rapidity with which events are moving, and the magnitude of the stakes, it is clear that urgent new efforts are required. I moving forward, we must be especially careful to balance our evolving relationship with Iraq in a manner that does not damage the longer term prospects for Iran.

Present Iranian Political Environment

The Iranian leadership faces its most difficult challenges since 1981. The regime's popularity has declined significantly in the past six months, primarily because of intensified disillusionmen with a seemingly unending war, the continued imposition of Islamic social policies on a population increasingly reluctant t accept such harsh measures, and a faltering economy brought on primarily by declining oil revenues. The impact of these problems is intensified by the realization that Ayatollah Khomeini's mental and physical health is fragile, which in turn casts a pall of uncertainty over the daily decision-making process.

UNCLASSIFIED

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Unless the acceleration of adverse military, political and economic developments is reversed, the Khomeini regime will face serious instability (i.e. repeated anti-regime demonstrations, strikes, assassination attempts, sabotage and other destabilizing activities throughout, increasingly involving the lower classes). This condition will sap officials' energies and government resources, intensifying differences among Iranian leaders as the government tries to avoid mistakes that would provoke popular upheaval and threaten continued control.

While it is impossible to predict the course of the emerging power struggle, it is possible to discern several trends which must be accounted for by U.S. policy. As domestic pressures mount, decision-making is likely to be monopolized by individuals representing the same unstable mix of radical, conservative and ultra-conservative factions that now control the Iranian government. The longer Khomeini lingers in power, the more likely the power struggle will intensify, and the greater the number of potential leaders who might affect the outcome of the struggle.

The ultimate strength of various clerical groups and the power coalitions they may form are not known. However, the weaknesses of various opposition groups -- inside Iran and abroad -- are evident, especially the lack of a leader with sufficient stature to rival Khomeini and his ideas. The most likely faction in a power struggle to shift Iranian policy in directions more acceptable to the West -- should their influence increase -- are conservatives working from within the government against the radicals. Radicals within the regime, and the leftist opposition, are the groups most likely to influence the course of events in ways inimical to Western interests.

The Iranian regular armed forces represent a potential source of both power and inclination to move Iran back into a more pro-Western position. Representatives of every faction inside and outside the regime recognize the potential importance of the military and are cultivating contacts with these forces. However, as long as the Army remains committed in the war with Iraq it will not be in a position to intervene in Tehran.

The other instrument of state power, the Revolutionary Guard, is becoming increasingly fractured. It will probably come apart following Khomeini's death, and might even engage in a major power struggle before then. In any scenario, the Guard will be at the center of the power struggle.

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The Soviets are well aware of the evolving developments in Iran. They will continue to apply carrot-and-stick incentives to Iran in the hope of bringing Tehran to Moscow's terms for an improved bilateral relationship that could serve as a basis for major growth in Soviet influence in Iran. Moscow will clearly resist any trend toward the restoration of a pro-Western Iranian government.

Despite strong clerical antipathy to Moscow and communism, Tehran's leadership seems to have concluded that improvement of relations with the Soviet Union is now essential to Iranian interest. They do not seem interested in improving ties with us. This Iranian assessment is probably based on Tehran's view of what Moscow can do for -- and against - Iran rather than on an ideological preference to conduct relations with Moscow. The USSR already has much leverage over Tehran -- in stark contrast to the U.S.

Moscow views Iran as a key area of opportunity. [redacted] In return, Moscow is certain to offer economic and technical assistance, and possibly even military equipment. While they have heretofore balked at providing major weapon systems, the Soviets might relax their embargo if the right political opportunities presented themselves. While Moscow would probably not act in a manner that severely disrupts its relations with Baghdad, given Iraq's dependency on the USSR for ground forces equipment, Moscow possesses considerable room for maneuver if it senses major openings in Tehran for the establishment of a position of significant influence.

Moscow may also pursue a strategy based on support of separatist movements. The Soviet Union has had ample opportunity to cultivate the ethnic groups that cut across the Soviet-Iranian border. Most ethnic groups are unlikely to challenge the central government in Tehran as long as they fear severe reprisals. But in the areas of Iran adjacent to the Soviet border, the Soviets can provide a security umbrella to protect rebellious ethnic groups from reprisals.

The U.S. position in Tehran is unlikely to improve without a major change in U.S. policy. The challenge to the U.S. in the post-Khomeini period will be severe. Any successor regime will probably seize power in the name of Islam and the revolution and

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can be expected to have a built-in anti-American bias. A more conservative regime, still Islamic, might lessen the emphasis on revolution and ~~terrorism and could move cautiously~~ toward a more correct relationship with the U.S. On the other hand, radical forces will try to exacerbate anti-American feelings to strengthen their own positions at the expense of the conservatives.

Our leverage with Iran is sharply reduced by the current degree of hostility that springs from the ideology of the radical clergy, especially as it serves their foreign policy goals. Moreover, the moderate and conservative elements of the clergy may also share the radicals' belief that we are inveterately hostile to the Islamic government, making accommodation with the U.S. impossible. The clerical regime continues to believe that the U.S. has not accepted the revolution and intends to reverse the course of events and install a puppet government. This perception has been reinforced by our restoration of diplomatic relations with Iraq, efforts to cut the flow of arms to Iran, and direct threats of military action in retaliation for Iranian-inspired anti-U.S. terrorism.

U.S. Policy

The dynamic political situation in Iran and the consequences for U.S. interests of growing Soviet and radical influence, compel the U.S. undertake a range of short- and long-term initiatives that will enhance our leverage in Tehran, and, if possible minimize that of the Soviets. Particular attention must be paid to avoiding situations which compel the Iranians to turn to the Soviets. Short-term measures should be undertaken in a manner that forestalls Soviet prospects and enhances our ability, directly and indirectly, to build U.S. and Western influence in Iran to the maximum extent possible in the future. Planning for the following initiatives should therefore proceed on a fast and longer-term track. The components of U.S. policy will be to:

(1) Encourage Western allies and friends to help Iran meet its import requirements so as to reduce the attractiveness of Soviet assistance and trade offers, while demonstrating the value of correct relations with the West. This includes provision of selected military equipment as determined on a case-by-case basis.

[redacted]

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(3) Increase contacts with allies and friends [redacted] on the evolution of the Iranian situation and possible means for influencing the direction of change, and be ready to communicate with Iran through these or other countries [redacted]

specifics?

(4) Take advantage of growing political fragmentation by:

-- discreetly communicating our desire for correct relations to potentially receptive Iranian leaders; ⑦

-- [redacted]

-- providing support to elements opposed to Khomeini and the radicals.

(5) Avoid actions which could alienate groups potentially receptive to improved U.S.-Iranian relations.

B

(6) Respond to Iranian-supported terrorism with military action against terrorist infrastructure.

(7) Enhance our effort to discredit Moscow's Islamic credentials with a more vigorous VOA effort targeted on Iran.

(8) Develop action plan in support of the basic policy objective, both for near-term contingencies (e.g. death of Khomeini) as well as the long-term restoration of U.S. influence in Tehran.

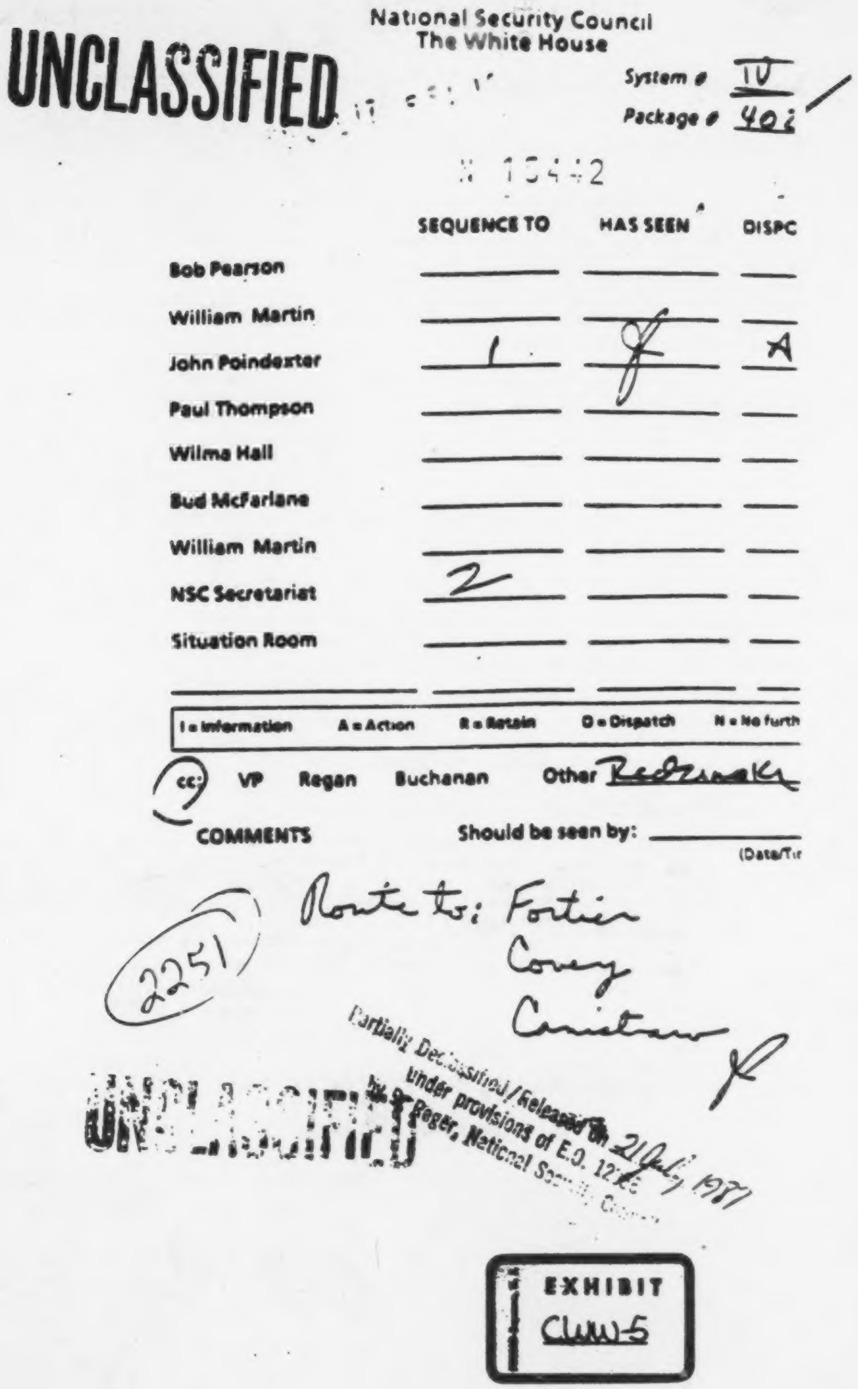
(9) With respect to the Gulf war:

-- Continue to encourage third party initiatives to seek an end to the war;

-- Increase military cooperation with Gulf Cooperation Council countries, and bolster U.S. military capabilities in the Gulf area to enable CENTCOM to be fully capable of carrying out its mission; and ②

-- Seek to curb Iran's collaboration with its radical allies (i.e. Syria and Libya).

EXHIBIT CWW-5



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National Security Council
The White House

System # IV
Package # 402

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	SEQUENCE TO	HAS SEEN	DISPC
Bob Pearson			
William Martin			
John Poindexter	1	J	A
Paul Thompson			
Wilma Hall			
Bud McFarlane			
William Martin			
NSC Secretariat	2		
Situation Room			

I = Information A = Action R = Retain D = Dispatch N = No furth

cc: VP Regan Buchanan Other Radzinski

COMMENTS Should be seen by: ____________
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Partially Declassified/Released on 21 July 1987
under provisions of E.O. 12356
by [illegible] Reger, National Security Council

EXHIBIT
CWW-5

WASHINGTON THE DISTRICT OF COLUMBIA

UNCLASSIFIED

18 JUL 1985

Bud

MEMORANDUM FOR THE ASSISTANT TO THE PRESIDENT FOR NATIONAL
SECURITY AFFAIRS

15443

SUBJECT: US Policy Toward Iran (S)

(TS) This memorandum responds to your request for comments on the draft NSDD on US-Iranian relations. While I agree with many of the major points in the paper, several of the proposed actions seem questionable. Moreover, it is extremely difficult to consider an explicit revision of our policy toward Iran as long as we continue to receive evidence of Iranian complicity in terrorist actions and planning against us. I do not believe, therefore, an NSDD should be issued in the proposed form.

(TS) I fully support the policy objective that "our primary short-term challenge must be to block Moscow's efforts to increase Soviet influence." If we are successful, of course, this will put us in a better position to realize a longer-term goal of having at least neutral/non-hostile relations with post-Khomeini Iran. Under no circumstances, however, should we now ease our restriction on arm sales to Iran. Attempting to cut off arms while remaining neutral on sales to either belligerent is one of the few ways we have to protect our longer-range interests in both Iran and Iraq. A policy reversal would be seen as inexplicably inconsistent by those nations whom we have urged to refrain from such sales, and would likely lead to increased arms sales by them and a possible alteration of the strategic balance in favor of Iran while Khomeini is still the controlling influence. It would adversely affect our newly emerging relationship with Iraq.

(TS) There are other actions, however, some of which are impli in the draft NSDD, that we could take now under our current policy to try to prevent an increase in Soviet influence and to lead toward a more moderate post-Khomeini Iran:

Intelligence

-- Improve US intelligence gathering capabilities in the areas of weakness identified in the SNIE, especially with regard to collecting information on the [redacted] Emphasis should be on identifying key players in the political arena who may be more favorably disposed to US concerns in the region.

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under provisions of E.O. 12356
by S. Reger, National Security Council

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Sec Def Cont Nr. X3!

-- Given better information from intelligence sources, seek ways to establish contacts with "moderates" [redacted] who play important roles in the administration of Islamic rule but who also favor policies more favorable to US and Western interests, and develop tactics for providing political and/or financial support to those elements opposed to Khomeini and the radicals.

Political

-- Through contacts with allies and friends, we should discreetly communicate our desire for correct relations to potentially receptive Iranian leaders based on their renunciation of state-supported terrorism, their willingness to seek a negotiated settlement to the Iran-Iraq war, their non-interference in other states' affairs, and their cooperation in settling US-Iranian claims in the Hague Tribunal.

-- Maintain our neutrality in the Iran-Iraq war while encouraging third party initiatives to end the conflict and increasing political-military cooperation with Gulf Cooperation Council countries.

Public Diplomacy

-- Our public statements on Iran should bring pressure to bear squarely where it is needed--on the current Iranian regime. In tone, our public position must avoid casting Iran as a country and the Iranian people and culture, as well as Shia Islam, as the enemy, but should emphasize opposition to the policies of the present Iranian government and the corrupt mullahs inside the government. Our statements should aim to encourage those elements in Iran who disagree or oppose regime policies.

Economic

-- A full range of US export controls are already in effect. [redacted] We should reassess the effectiveness of present controls in curbing all but strictly civilian exports.

-- In conjunction with discreet political contacts proposed above, we could suggest to the Iranians that correct relations would include relaxation of current US trade restrictions and normal trade relations with a post-Khomeini Iran that is not hostile to US interests.

(TS) I concur with the balance of the recommendations in the draft NSDD in so far as they support current US policy. My recommendations reflect my very strong view that US policy must remain steadfast in the face of international lawlessness perpetrated by the Iranian regime. Changes in policy and in conduct, therefore, must be initiated by a new Iranian government. By remaining firmly opposed to current Iranian government policies and actions, yet supportive of moderation and a longer term improvement in relations once the regime has changed, we can avoid the future enmity of the Iranian people and develop the leverage necessary to counter a possibly very dangerous increase in Soviet influence. In particular, we need to be prepared for a possible period of turmoil as the regime begins to change, by building up effective instruments of influence and access to people and organizations within Iran, so as to counter a Soviet attempt to promote a pro-Soviet successor regime.

Cap.

cc: Secretary Shultz

EXHIBIT CWW-6

From: NSOLN --CPUA Date and time 11/20/85 21:27:39
To: NSJMP --CPUA

*** Reply to note of 08/31/85 13:26

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NOTE FROM: OLIVER NORTH
Subject: PRIVATE BLANK CHECK
Wrap Up as of 2030 EDT.
The Israelis will deliver 80 Mod HAWKS [redacted] at noon on Friday 22 Nov. These 80 will be loaded aboard three chartered aircraft, owned by a proprietary which will take off at two hour intervals for Tabriz. The aircraft will file for overflight through the [redacted] FIR enroute to Tabriz from [redacted]. Appropriate arrangements have been made with the proper [redacted] air control personnel. Once the aircraft have been launched, their departure will be confirmed by Ashghari who will call [redacted] who will call [redacted] [redacted] who will direct [redacted] in Beirut to collect the five [illegible] five Amcits from Hizballah and deliver them to the U.S. Embassy. There is also the possibility that they will hand over the French hostage who is very ill.
There is a requirement for 40 additional weaps of the same nomenclature for a total requirement of 120. $18M in payment for the first 80 has been deposited in the appropriate account. No acft will land in Tabriz until the AMCITS have been delivered to the embassy. The Iranians have also asked to order additional items in the future and have been told that they will be considered after this activity has succeeded. All transfer arrangements have been made by Dick Secord, who deserves a medal for his extraordinary short notice efforts.

Replenishment arrangements are being made through the MOD purchasing office in NYC. There is, to say the least, considerable anxiety that we will somehow delay on their plan to purchase 120 of these weapons in the next few days. IAW your instructions I have told their agent that we will sell them 120 items at a price that they can meet. I have further told them that we will make no effort to move on their purchase LOA request until we have all five AMCITS safely delivered. In short, the pressure is on them.

Tomorrow we will dispatch a covert hostage debrief team to Wiesbaden, under cover of an exercise. [redacted] [redacted] EUCOM will be told to prepare a C-141 for four-hour alert to pick up any hostages who may be released over the weekend. All of the parties above will be told that we have info (from the same source which advised us of Wier's release) that some, if not all, AMCIT hostages will be turned over [redacted] between now and Sunday.

As soon as we have the release confirmed, we need to move quickly with Defense to provide the 120 missiles the Israelis want to buy. They are very concerned that they are degrading their defense capability, and in view of the Syrian shoot-down yesterday the PM has placed considerable pressure on both Rabin and Kimche for very prompt replacement. Both called several times today.

There is the distinct possibility that at the end of the week we will have five Americans home and the promise of no future hostage takings in exchange for selling the Israelis 120 Mod HAWKs. Despite the difficulty of making all this fit inside a 96-hour window, it isn't that bad a deal -- [redacted] Warm regards.
Recommend pass to RCM after review. North.

released on 3 June 1987
of E.O. 12356

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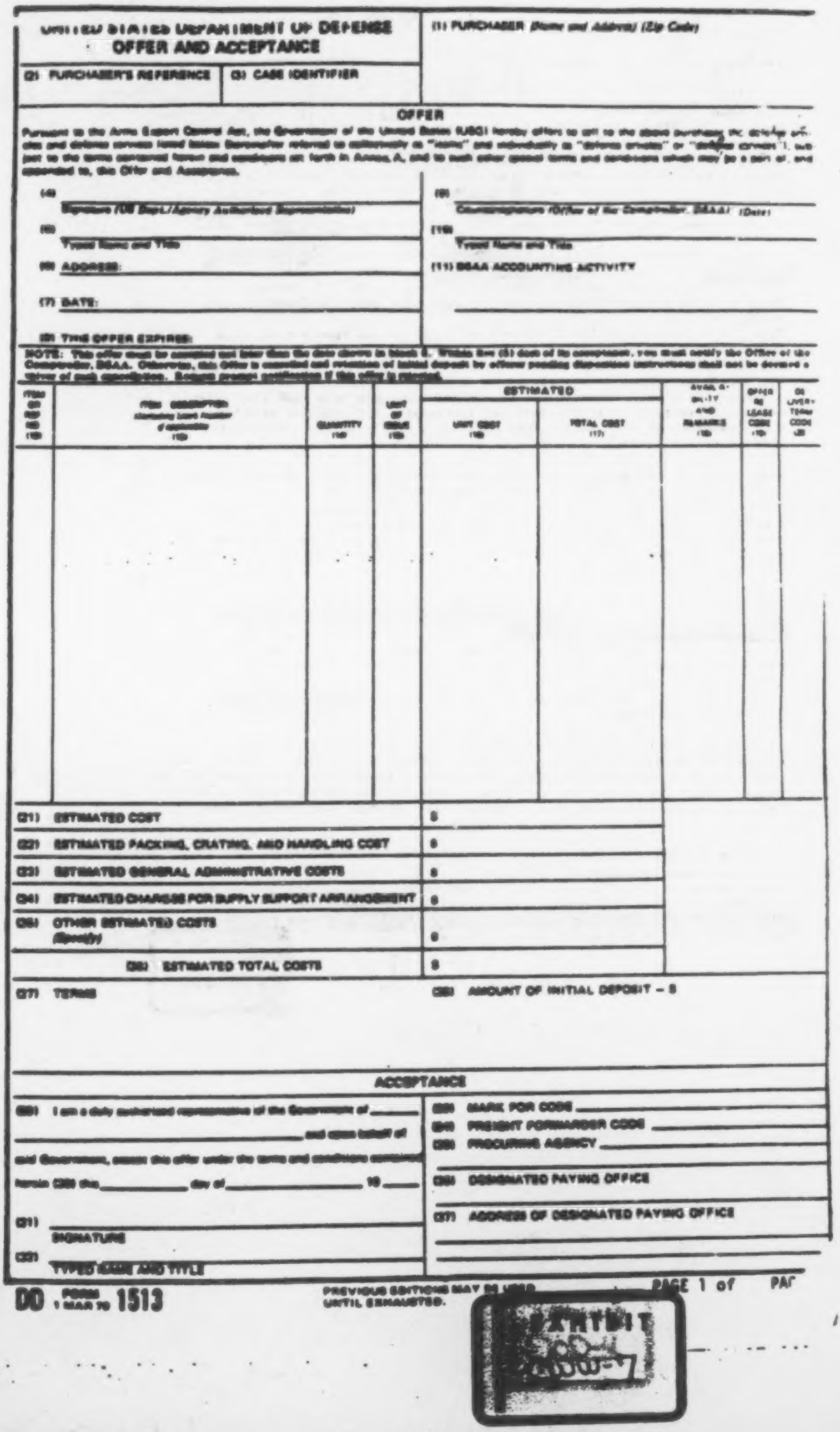
EXHIBIT CWW-7



UNITED STATES DEPARTMENT OF DEFENSE
OFFER AND ACCEPTANCE

(1) PURCHASER *(Name and Address) (Zip Code)*

(2) PURCHASER'S REFERENCE

(3) CASE IDENTIFIER

OFFER

Pursuant to the Arms Export Control Act, the Government of the United States (USG) hereby offers to sell to the above purchaser the defense articles and defense services listed below (hereinafter referred to collectively as "items" and individually as "defense articles" or "defense services"), subject to the terms contained herein and conditions set forth in Annex A, and to such other special terms and conditions which may be a part of, and appended to, this Offer and Acceptance.

(4) ______________________
Signature (US Dept./Agency Authorized Representative)

(5) ______________________
Typed Name and Title

(6) ADDRESS:

(7) DATE:

(8) THIS OFFER EXPIRES:

(9) ______________________
Countersignature (Office of the Comptroller, DSAA) (Date)

(10) ______________________
Typed Name and Title

(11) DSAA ACCOUNTING ACTIVITY

NOTE: This offer must be accepted not later than the date shown in block 8. Within five (5) days of its acceptance, you must notify the Office of the Comptroller, DSAA. Otherwise, this Offer is cancelled and retention of initial deposit by offeror pending disposition instructions shall not be deemed a waiver of such cancellation. Request prompt notification if this offer is rejected.

ITEM OR REF NO (12)	ITEM DESCRIPTION Identifying Stock Number if applicable (13)	QUANTITY (14)	UNIT OF ISSUE (15)	ESTIMATED UNIT COST (16)	ESTIMATED TOTAL COST (17)	AVAILABILITY AND REMARKS (18)	OFFER OR LEASE CODE (19)	DELIVERY TERM CODE (20)

(21) ESTIMATED COST	$
(22) ESTIMATED PACKING, CRATING, AND HANDLING COST	$
(23) ESTIMATED GENERAL ADMINISTRATIVE COSTS	$
(24) ESTIMATED CHARGES FOR SUPPLY SUPPORT ARRANGEMENT	$
(25) OTHER ESTIMATED COSTS *(Specify)*	$
(26) ESTIMATED TOTAL COSTS	$

(27) TERMS

(28) AMOUNT OF INITIAL DEPOSIT – $

ACCEPTANCE

(29) I am a duly authorized representative of the Government of ______ ______________________ and upon behalf of said Government, accept this offer under the terms and conditions contained herein (30) this __________ day of ______________ 19 ____

(31) ______________________
SIGNATURE

(32) ______________________
TYPED NAME AND TITLE

(33) MARK FOR CODE ______________

(34) FREIGHT FORWARDER CODE ______________

(35) PROCURING AGENCY ______________

(36) DESIGNATED PAYING OFFICE

(37) ADDRESS OF DESIGNATED PAYING OFFICE

DD FORM 1 MAR 70 1513

PREVIOUS EDITIONS MAY BE USED UNTIL EXHAUSTED.

PAGE 1 of PA

EXHIBIT
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GENERAL CONDITIONS

Annex A

A. THE GOVERNMENT OF THE UNITED STATES:

1. Agrees to furnish such items from its Department of Defense (hereinafter referred to as "DOD") stocks and resources, or to procure them under terms and conditions consistent with DOD regulations and procedures. When procuring for the Purchaser, the DOD shall, in general, employ the same contract clauses, the same contract administration, and the same inspection procedures as would be used in procuring for itself except as otherwise requested by the Purchaser and as agreed to by the DOD. Unless the purchaser has requested that a sole source contractor be designated, and this Letter of Offer and Acceptance reflects acceptance of such designation by the DOD, the Purchaser understands that selection of the contractor source to fill this requirement is solely the responsibility of the Government of the United States (hereinafter referred to as "USG"). Further, the Purchaser agrees that the United States DoD is solely responsible for negotiating the terms and conditions of all contracts necessary to fulfill the requirements in the Letter of Offer.

2. Advises that when the DOD procures for itself, its contracts include warranty clauses only on an exceptional basis. However, the USG shall, with respect to items being procured, and upon timely notice, attempt to the extent possible to obtain any particular or special contract provisions and warranties desired by the Purchaser. The USG further agrees to exercise, upon the Purchaser's request, any rights (including those arising under any warranties) the USG may have under any contract connected with the procurement of any items. Any additional cost resulting from obtaining special contract provisions or warranties, or the exercise of rights under such provisions or warranties, or any other rights that the USG may have under any contract connected with the procurement of items, shall be charged to the Purchaser.

3.a. Shall, unless the condition is otherwise specified herein (e.g., "As is"), repair or replace at no extra cost defense articles supplied from DOD stocks which are damaged or found to be defective in respect of material or workmanship, when it is established that these deficiencies existed prior to passage of title, or found to be defective in design to such a degree that the items cannot be used at all for the purpose for which they were designed. Qualified representatives of the USG and of the Purchaser, upon notification pursuant to paragraph B.6. below, shall agree on the liability of the USG hereunder and the corrective steps to be taken.

b. With respect to items being procured for sale to the Purchaser, the USG agrees to exercise warranties on behalf of the Purchaser pursuant to A.2. above to assure, to the extent provided by the warranty, replacement or correction of such items found to be defective.

c. In addition, the USG warrants the title of all items sold to the Purchaser hereunder. The USG, however, makes no warranties other than those specifically set forth herein. In particular the USG disclaims any liability resulting from patent infringement occasioned by the use or manufacture by or for Purchaser outside the United States of items supplied hereunder.

4. Agrees to deliver and pass title to the items to the Purchaser at the initial point of shipment unless otherwise specified in this Offer and Acceptance. With respect to defense articles procured for sale to the Purchaser, this will normally be at the manufacturers loading facilities; with respect to defense articles furnished from stocks, this will normally be at the U.S. depot. Articles will be packed, crated or otherwise prepared for shipment prior to the time title passes. If "Point of Delivery" is specified otherwise than the initial point of shipment, the supplying Military Department or Defense Agency will arrange movement of the items to the authorized delivery point as reimbursable service but will pass title at the initial point of shipment. the USG disclaims any liability for damage or loss to the items incurred after passage of title irrespective of whether transportation is by common carrier or by the U.S. Defense Transportation System.

5. Advises that: a. Unless otherwise specified, USG standard items will be furnished without regard to make or model.

b. The price of items to be procured shall be at their total cost to the USG. Unless otherwise specified, the cost estimates of items to be procured, availability determination, payment schedule, and delivery projections quoted are estimates based on current available data. The USG will use its best efforts to advise the Purchaser or its authorized representatives by DD Form 1513-2:

(1) of any identifiable cost increase that might result in an increase in the "Estimated Total Costs" in excess of 10 percent;

(2) of any changes in the payment schedule(s); and

(3) of any delays which might significantly affect the estimated delivery dates;

but its failure to so advise of the above shall not affect the Purchaser's obligation under paragraphs B.1. and B.3. below.

c. The USG will, however, use its best efforts to deliver items or render services for the amount and at the times quoted.

6. Under unusual and compelling circumstances when the national interest of the United States so requires, the USG reserves the right to cancel or suspend all or part of this Offer and Acceptance at any time prior to the delivery of defense articles or performance of services (including training). The USG shall be responsible for all termination costs of its suppliers resulting from cancellations or suspensions under this paragraph.

7. Shall refund to the Purchaser any payments received hereunder which prove to be in excess of the final total cost of delivery and performance of this Offer and Acceptance, and are not required to cover arrearages on other open Offers and Acceptances of the Purchaser.

8. Advises that personnel performing defense services provided under this Offer and Acceptance will not perform any duties of a combatant nature, including any duties relating to training, advising, or otherwise providing assistance regarding combat activities, outside the United States in connection with the performance of these defense services.

9. Advises that in the assignment or employment of United States personnel for the performance of this Offer and Acceptance, the USG will not take into account race, religion, national origin or sex.

10. Advises that, notwithstanding Purchaser's agreement to pay interest on any net amount by which Purchaser may be in arrears on payments (as provided for in paragraph B.3.g. below), USG funds will not be used for disbursements by DOD to its contractors in the event of any such arrears in payments. Accordingly, failure by the Purchaser to make timely payments in the amounts due may result in delays in contract performance by DOD contractors, claims by contractors for increased costs (including the above mentioned interest costs), claims by contractors for termination liability for breach of contract or termination of contracts by the USG under this or other open Offers and Acceptances of the Purchaser at Purchaser's expense.

B. THE PURCHASER:

1. Shall pay to the USG the total cost to the USG of the items, even if the final total cost exceeds the amounts estimated in this Offer and Acceptance.

2. Shall make payment(s) for the items by check(s) or by wire transfer payable in United States dollars to the Treasurer of the United States.

3.a. Shall, if "Terms" specify "cash with acceptance", forward with this Offer and Acceptance a check or wire transfer in the full amount shown as the estimated total cost, and agrees to make such additional payment(s) as may be specified upon notification of cost increase(s) and request(s) for funds to cover such increases.

b. Agrees if "Terms" specifies payment to be "cash prior to delivery" to pay to the USG such amounts at such times as may be specified from time to time by the USG (including any initial deposit set forth under "Terms") in order to meet payment requirements for articles or services to be furnished from the resources of the US Department of Defense. USG requests for funds may be based on estimated requirements to cover forecasted deliveries of articles or costs to provide defense services. It is USG policy to obtain funds 90 days in advance of the time DOD plans such deliveries or incurs such expenses on behalf of the Purchaser.

c. Agrees, if "Terms" specify payment by "dependable undertaking" to pay to the USG such amounts at such times as may be specified from time to time by the USG (including any initial deposit set forth under "Terms") in order to meet payments required by contracts under which items are being procured, and any damages and costs that may accrue, or have accrued, from termination of contracts by the USG because of Purchaser's cancellation of this Offer and Acceptance under paragraph B.7. hereof. USG requests for funds may be based upon estimated requirements for advance and progress payments to suppliers, estimated termination liability, delivery forecasts or evidence of constructive delivery, as the case may be. It is USG policy to obtain such funds 90 days in advance of the time USG makes payments on behalf of the Purchaser.

d. Agrees, if "Terms" specify "payment on delivery" that bills may be dated as of the date(s) of delivery of the defense articles or rendering of the defense services, or upon forecasts of the date(s) thereof.

e. Agrees, if "Terms" specify payment under a Credit Agreement between the Purchaser and DOD, to pay to the USG on a "dependable undertaking" basis, in accordance with B.3.c. above, such costs as may be in excess of the amount funded by the Credit Agreement.

f. Agrees, that requests for funds or billings under paragraphs B.3.a. through e. above are due and payable in full on presentation, or, if a payment date is specified in the request for funds or bill, on the payment date so specified, even if such payment date is not in accord with the estimated payment schedule, if any, contained in this Offer and Acceptance. Without affecting Purchaser's obligation to make such payment(s) when due, documentation concerning advance and progress payments, estimated termination liability or evidence of constructive delivery or shipment in support of request for funds or bills will be made available to the Purchaser by DOD upon request. When appropriate, Purchaser will request adjustment of any questioned billed items by subsequent submission of required discrepancy reports in accordance with paragraph B.6. below.

g. Agrees to pay interest on any net amount by which it is in arrears on payments, determined by considering collectively all of the Purchaser's open Offers and Acceptances with the DOD. Interest shall be calculated on a daily basis. The principal amount of the arrearage shall be computed as the excess of cumulative financial requirements of the Purchaser over total cumulative payments after quarterly billing payment due dates. The rate of interest paid shall be a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding short-term obligations of the USG as of the last day of the month preceding the net arrearage and shall be computed from the date of net arrearage.

3. Shall designate the Procuring Agency and responsible Paying Office and address thereof to which the USG shall submit requests for funds and bills under this Offer and Acceptance.

4. Shall furnish shipping instructions for the items with its acceptance of this Offer and Acceptance. Such instructions shall include (a) Offer/Release Code, (b) Freight Forwarder Code, and (c) the Mark for Code, as applicable.

5. Shall be responsible for obtaining the appropriate insurance coverage and customs clearances, and, except for items exported by the USG, appropriate export licenses.

6. Shall accept title to the defense articles at the initial point of shipment (see A.4. above). Purchaser shall be responsible for in-transit accounting and settlement of claims against common carriers. Title to defense articles transported by parcel post shall pass to the Purchaser on date of parcel post shipment. Standard Form 364 shall be used in submitting claims to the USG for overage, shortage, damage, duplicate billing, item deficiency, improper identification or improper documentation and shall be submitted by Purchaser promptly. Claims of $100.00 or less will not be reported for overages, shortages, or damages. Claims received after one year from date of passage of title or billing, whichever is later, will be disallowed by the USG, unless the USG determines that unusual and compelling circumstances involving latent defects justify consideration of the claim.

7. May cancel this Offer and Acceptance with respect to any or all of the items listed in this Offer and Acceptance at any time prior to the delivery of defense articles or performance of services (including training). It shall be responsible for all costs resulting from cancellation under this paragraph.

8. Shall, except as may otherwise be mutually agreed in writing, use the items sold hereunder only:

a. For the purposes specified in the Mutual Defense Assistance Agreement, if any, between the USG and the Purchaser;

b. For the purposes specified in any bilateral or regional defense treaty to which the USG and the Purchaser are both parties, if subparagraph a. of this paragraph is inapplicable; or

c. For internal security, individual self-defense, and/or civic action, if subparagraphs a. and b. of this paragraph are inapplicable.

9. Shall not transfer title to, or possession of, the defense articles, components and associated support material, related training or other defense services (including any plans, specifications or information) furnished under this Offer and Acceptance to anyone not an officer, employee or agent of the Purchaser (excluding transportation agencies), and shall not use or permit their use for purposes other than those authorized by 8. above, unless the written consent of the USG has first been obtained. To the extent that any items, plans, specifications, or information furnished in connection with this Offer and Acceptance may be classified by the USG for security purposes, the Purchaser shall maintain a similar classification and employ all measures necessary to preserve such security, equivalent to those employed by the USG, throughout the period during which the USG may maintain such classification. The USG will use its best efforts to notify the Purchaser if the classification is changed. The Purchaser will ensure, by all means available to it, respect for proprietary rights in any defense article and any plans, specifications, or information furnished, whether patented or not. *

C. INDEMNIFICATION AND ASSUMPTION OF RISKS:

1. It is understood by the Purchaser that the USG in procuring and furnishing the items specified in this Offer and Acceptance does so on a nonprofit basis for the benefit of the Purchaser. The Purchaser therefore undertakes, subject to A.3. above, to indemnify and hold the USG, its agents, officers, and employees harmless from any and all loss or liability (whether in tort or in contract) which might arise in connection with this Offer and Acceptance because of: (i) injury to or death of personnel of Purchaser or third parties; (ii) damage to or destruction of (A) property of the DOD furnished to Purchaser or suppliers specifically to implement this Offer and Acceptance, (B) property of Purchaser (including the items ordered by Purchaser pursuant to this Offer and Acceptance, before or after passage of title to Purchaser), or (C) property of third parties; or (iii) patent infringement.

2. Subject to any express, special contractual warranties obtained for the Purchaser in accordance with A.3. above, the Purchaser agrees to relieve the contractors and subcontractors of the USG from liability for, and will assume the risk of, loss or damage to: (i) Purchaser's property (including the items procured pursuant to this Offer and Acceptance, before or after passage of title to Purchaser) and (ii) property of the DOD furnished to suppliers specifically to implement this Offer and Acceptance, to the same extent that USG would assume for its property if it were procuring for itself the item or items procured pursuant to this Offer and Acceptance.

D. ACCEPTANCE:

1. To accept this Offer and Acceptance, the Purchaser will not later than the expiration date of the Offer and Acceptance, as set forth herein, return three copies properly signed to the security assistance accounting center designated herein, accompanied by such initial deposit or other payment as may be required by the Terms herein. In addition, Purchaser will concurrently return three copies properly signed to the U.S. Military Department or Defense Agency making the offer. When properly accepted and returned as specified herein, the provisions of this Offer and Acceptance shall be binding upon the USG and the Purchaser.

2. It is understood that implementation of the Offer and Acceptance cannot proceed without a proper acceptance. Failure to comply with Terms and Conditions required for acceptance, as, for example, delay in submission of any required initial deposit or payment of full estimated cost, as the case may be, may require revision or reissue of the Offer and Acceptance.

3. Unless a written request for extension is made by the Purchaser and granted in writing by an authorized representative of the appropriate U.S. Military Department or Defense Agency, this Offer and Acceptance shall terminate on the expiration date set forth herein.

E. ENCLOSURES:

Enclosures attached hereto are, by this reference, incorporated herein and are made a part hereof as though set forth in full.

F. PUBLIC INSPECTION:

This Offer and Acceptance will be made available for public inspection to the fullest extent possible consistent with the national security of the United States.

EXPLANATORY NOTES

1. The item or reference numbers appearing in the "ITEM OR REF. NO." column may not correspond with references used in Purchasers' original request. However, this number, together with the case identifier shown should always be used as a reference in future correspondence.

2. Availability leadtime quoted is the estimated number of months required to complete delivery of the item(s) in accordance with the terms of delivery after receipt of acceptance of this Offer pursuant to Section D. of the Conditions, and the conclusion of appropriate financial arrangements. Planned deliveries are shown by quantity and leadtime for each increment, where applicable. Items for which delivery leadtime is not shown are noted in column headed "Item Description" as items to be installed in the applicable end item prior to shipment.

3. The planned source of supply for each item is expressed in the following codes:

S (*) Service Stocks
P (*) Procurement
R (*) Rebuild/Repair/Modification
X (*) Stock and procurement, e.g., initial repair parts
E (*) "Excess" major items in long supply or excess

*Availability is stated in months.

4. Condition of the defense articles shown in the "AVAILABILITY AND REMARKS" column is expressed in the following codes.

AI – Items to be provided in existing condition without repair, restoration or rehabilitation which may be required. Condition indicated in item description.
M – Articles of mixed condition (new, reworked, and rehabilitated) may be commingled when issued. Example: repair parts, ammunition, set assemblies, kits, tool sets and shop sets.
B – Serviceable defense articles.
O – Obsolete or nonstandard item in an "AS IS" condition for which repair parts support may not be available from DOD.
S – Substitute. Suitable substitutions may be shipped for unavailable defense articles unless otherwise advised by the Purchaser.
U – Reworked or rehabilitated defense articles possessing original appearance insofar as practicable; including all Modification Work Orders and Engineering Change Orders as applied to such defense articles when issued but defense articles should not be considered as having had total replacement of worn parts and/or assemblies. Only parts and components not meeting US Armed Forces serviceability tolerances and standards will have been replaced; in all instances such defense articles will meet US Armed Forces standards of serviceability.

5. Training notes:

AP – Annual Training Program.
SP – Special Training designed to support purchase of US equipment.
NC – This offer does not constitute a commitment to provide US training.
SC – US Training concurrently being addressed in separate Offer and Acceptance.
NR – No US training is required in support of this purchase.

6. For meaning of delivery codes, see Military Assistance Program Address Directory (MAPAD).

7. The use of Offer/Release Codes "Y" and "Z" will incur a storage fee of .125% per month for shipment delays in excess of 15 days.

EXHIBIT CWW-8

UNCLASSIFIED H F 0 91 [redacted]

Hawk Missiles for Iran

- Missiles are available right now, suitable for foreign sale. There are [illegible] missiles at Red River Arsenal - [illegible] intended for UAE and [illegible] for Korea. Seven of these are intended for tests, but the tests can be foregone.

- The missiles at Red River Arsenal cost [illegible] apiece. This is not necessarily a firm price, and replacements could cost as much as $4[illegible] apiece.

- Thus, the total bill for 120 missiles would be $30-52.5 million. To this, applicable charges would have to be added (NRC cost, administration charge, packing and transport charges, plus storage).

- The missiles for Korea and UAE would have to be replaced, so DSAA will need the money to replace them.

- The modalities for sale to Iran present formidable difficulties:

  - -- Iran is not currently certified for sales, including indirectly as a third country, per Sec. 3 of the AECA.

  - -- Congress must be notified of all sales of $14 million or more, whether it is a direct sale or indirect to a third country. The notice must be unclassified (except for some details), and the sale cannot take place until 30 days after the notice. The 30 days can be waived for direct sales, but the third country transfer has no such provision, and notice must still be given in any case.

  - -- Thus, even if the missiles were laundered through Israel, Congress would have to be notified.

- It is conceivable that the sale could be broken into 3 or 4 packages, in order to evade Congressional notice.

  - -- While there is no explicit injunction against splitting up such a sale (subject to check...), the spirit and the practice of the law is against that, and all Administrations have observed this scrupulously.

  - -- It is conceivable that, upon satisfactory consultation with Chairmen Lugar and Fascell and their minority counterparts, they might agree to splitting the sale into smaller packages.

- The customer countries (UAE and Korea) would have to be told that their deliveries had been rescheduled, but we would not have to tell them why. We would not want to charge them more for later deliveries.

EXHIBIT CWW-8

[illegible] SECRET

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political drawbacks are equally formidable

-- If Iraq ever found out, they would be greatly irritated. Their sources of supply are more readily accessible than Iran's, however, so there would be no effect in that respect.

-- Saudi Arabia and the other Gulf States would also be irritated and alarmed.

-- If Israel were used as the laundering country, they would be greatly encouraged to continue selling to Iran, and to expand their sales.

-- If the sale became known, all bars would be removed from sales by such countries as Spain, Portugal, Greece, UK, Italy, and FRG, countries who are only barely restrained from overt, large sales to Iran now.

-- In short, the risk is that of prolonging and intensifying the Iran-Iraq war, while seriously compromising US influence over Israel and other countries to restrain sales to Iran.

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EXHIBIT CWW-9

tially Declassified/Released on 23 Jan 1987 under provisions of E.O. 12356 by B. Reger, National Security Council

UNCLASSIFIED SECRET

U 21524

PROSPECTS FOR IMMEDIATE SHIPMENT OF I-HAWK and I-TOW MISSILES

I-HAWK

- There are 164 missiles available at Red River Arsenal--75 intended for UAE and 84 for Korea. The missiles have not yet been lot acceptance tested, but there is a very low risk of failure. The missiles will be at Red River until about April 1986 for testing.

- There would be no impact on the UAE if we ship their 75 missiles. The program has slipped in other ways, and can be accommodated within the normal production lead time for replacement missiles.

- Korea would have to be consulted to ascertain the impact on their program, if it is necessary to ship any missiles in addition to the 75 mentioned above. Procurement lead time to replace Korea's missiles would be about 33 months.

- To the best of our knowledge, all of U.S. Army I-HAWKs are with units and should not be considered from diversion.

- Unit replacement price of HAWK missiles is about $437.7K; total package price for 50 would approximate $22.5M; for 100 about $45M. Package prices include FMS surcharges.

I-TOW

EXHIBIT

- Army has about [redacted] TOWs (including 40,000 I-TOW) on hand, against a distribution requirement of about [redacted] About 12,900 I-TOW missiles are available in CONUS depot stocks.

- Based on the numbers, the impact on Army of shipping 3,300 I-TOWs immediately would be serious but not intolerable. No missiles would have to be taken from troops. Based on the seriousness of the requirement, and keeping in mind that the Army would receive TOW-II replacement missiles, it is likely that the Army would reluctantly acquiesce to immediate shipment of the entire quantity.

- Unit price of the replacement TOW-II missile is about $12,200; total package price would approximate $42M, with FMS surcharges.

- Delivery from production of TOW-II pay back missiles to the Army would occur about the beginning of CY 1988. If necessary--though this is not recommended--approximately 2,000 unallocated TOW-II missiles could be delivered from SDAF to Army in second quarter CY 1987.

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EXHIBIT CWW-10

[redacted] UNCLASSIFIED

POSSIBILITY FOR LEAKS

U 21525

There is no good way to keep this project from ultimately being made public. Following are three legal methods together with a brief discussion on the possibility of compromise.

- The President can make a determination, Section 614 of te the Foreign Assistance Act, which would waive the statute which requires the normal Congressional notification under Section 36(b) of the Arms Export Control Act (AECA).

- President must notify the Speaker of the House and the Chairman of the Foreign Relations Committee, provide a written justification, and consult with both the Chairman of the Foreign Relations Committee and the Chairman of the Foreign Affairs Committee. This could be done in a classified, close-hold manner and is the best prospect for eliminating leaks from Congressiona sources. However, the problem would come with actually executi a Letter of Offer (LOA) for the material without disclosing to the entire Security Assistance Community that the President had waived the need for Section 36(b) notification (Headquarters Army, USASAC, and MICOM, all are aware of the legal requirement not to process the LOAs without the 36(b) notification process).

- The OSD General Counsel should be asked personally to confirm that Section 614 is legal under these circumstances, since this authority never has been exercised in this way.

- The President could sign an emergency notification under Section 36(b), waiving the formal 30-day notification period. This requires a certification that an emergency exists, and the reasons therefor. While this notification would be classified, the distribution of the Section 36(b) notice is much broader than would be true for the Section 614 determination mentioned above. Additionally, the Security Assistance Community would have to be informed that the President had made the emergency determination and waived Section 36(b) before the LOA could be prepared and issued. There would be no good explanation as to why an emergency would exist for this country's purchasing the missiles.

EXHIBIT
CWW-10

- The last option, if time permits, would be to treat the sale as a routine unclassified action under Section 36(b). This would require the full 50-day notification period (including the 20-day informal notice) for Congressional review. Both systems are in the inventory of the country involved, and it is possible that the notification would flow through without question. This almost certainly would be true for I-HAWKs in the quantity contemplated; the I-TOW quantities might or might not cause speculation.

Declassified/Released on 23 June 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

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- A further potential problem is associated with legalities of the third country transfer provisions of the Arms Export Control Act. One provision indicates that we will not authorize a third country transfer to a country we do not sell to ourselves. Another requires the third country to sign further retransfer assurances. Under the circumstances, though, these provisions probably can be overcome or deferred.

EXHIBIT CWW-11

The Director of Central Intelligence
Washington, D.C. 20505

86-4068m-

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26 November 1985

0400

MEMORANDUM FOR: Vice Admiral John M. Poindexter, USN
Deputy Assistant to the President
for National Security Affairs

SUBJECT: Presidential Finding on Middle East

Pursuant to our conversation this should go to the President for his signature and should not be passed around in any hands below our level.

William J. Casey

Attachment:
As stated

CL BY [illegible]
RVW OADR

[redacted]

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EXHIBIT
CWW-11

[illegible] 7 May 1987
[illegible] E.O. [illegible]
[illegible] National Security Council

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Finding Pursuant to Section 662 of the Foreign Assistance Act of 1961, As Amended, Concerning Operations Undertaken by the Central Intelligence Agency in Foreign Countries, Other Than Those Intended Solely for the Purpose of Intelligence Collection

C40

I have been briefed on the efforts being made by private parties to obtain the release of Americans held hostage in the Middle East, and hereby find that the following operations in foreign countries (including all support necessary to such operations) are important to the national security of the United States. Because of the extreme sensitivity of these operations, in the exercise of the President's constitutional authorities, I direct the Director of Central Intelligence not to brief the Congress of the United States, as provided for in Section 501 of the National Security Act of 1947, as amended, until such time as I may direct otherwise.

SCOPE	DESCRIPTION
Hostage Rescue - Middle East	The provision of assistance by the Central Intelligence Agency to private parties in their attempt to obtain the release of Americans held hostage in the Middle East. Such assistance is to include the provision of transportation, communications, and other necessary support. As part of these efforts certain foreign materiel and munitions may be provided to the Government of Iran which is taking steps to facilitate the release of the American hostages. All prior actions taken by U.S. Government officials in furtherance of this effort are hereby ratified.

The White House
Washington, D.C.

Date:

7 May 1987

[redacted]

Exhibit CWW-12

To: NSJMP --CPUA

[illegible] and time [illegible]/85 22:02:33

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EXHIBIT CWW-12

*** Reply to note of 08/31/85 13:26

NOTE FROM: OLIVER NORTH
Subject: PRIVATE BLANK CHECK
Subject: Current Status of Operation Recovery: Following summary is based on discussions in Geneva among Kimche, Copp, Gorbanifahr and [redacted] which were concluded this weekend, subsequent discussions with [illegible] Heron here in Washington which are continuing, and calls btwn Copp and Kimche's asset (Nimrodi) who is "baby sitting" the Iranians in Paris (where they are are receiving guidance from Tehran).

The attempted transfer [redacted] of 18 Hawk missiles went awry because the Iranians were in fact seeking a weapons system that would be capable of stopping Soviet reconnaissance flights along the Iranian/Soviet border and on the Iranian/Iraqi border. Gorba rptd that these flights occur regularly and as deep as 40mi inside Iranian airspace. Because Schwimmer and Ledeen were unfamiliar with the operational parameters of the HAWK, they agreed to ship 120 weapons that were totally inadequate to meet the rqmts established by the Iranians. This delivery has created an atmosphere of extraordinary distrust on the part of the Iranians; in Kimche's view, because the credibility of the Gorba [redacted] mission has probably been seriously called into question.

Despite this perception (Gorba said numerous times that this whole thing was a "cheating game" on the part of the Israelis), Copp & Kimche have been able to proceed with a renewed dialogue which still promises hope for achieving our three objectives:
-- support for a pragmatic - army oriented faction which could take over in a change of government
-- return of the five AMCIT hostages
-- no more terrorism directed against U.S. personnel or interests.

From these ongoing discussions, which in two cases included Iranian military officers, Copp and Kimche conclude that the military situation in Iran is desperate. The Iranian descriptions of the state of their equipment, lack of competent management, inability to use much of the remaining U.S. materiel portends the real possibility of a military collapse (at least by the Army) in the near to mid-term. Thus, there is considerable pressure on the interlocuters in Europe to produce - quickly.

Partially Declassified/Released on 6 July 1987 under provisions of E.O. 12356 by [illegible], National Security Council

Given the relatively low level of competence on the part of the Iranians in Europe, and the fact that any supplies delivered will undoubtedly have to be examined by an Army or Air Force officer, it is very doubtful that a "single transaction" arrangement can be worked out with the parties in Tehran, no matter what is agreed to in Europe. In short, they have been "scammed" so many times in the past that the attitude of distrust is very high on their part. At the same time, in all discussions (including today's phone calls) they are desperate to conclude some kind of arrangement in the next 10 days and have even asked that the meeting scheduled for Saturday in London be advanced. Based on what we can conclude [redacted] we believe that they are very concerned that the hostages (the only Iranian leverage point besides the Jews in Iran) may be killed or captured/released by the Syrians, Druse, Phalange or Amal in the near future. Waite's contacts with the captors seems to corroborate this assessment. In short, time is very short for all parties concerned.

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Finally, there is the matter of the longer term strategy for what we should be attempting to accomplish vis a vis the Iran-Iraq war and a more reasonable government in Iran. From my personal discussions with Kimche and Meron it is apperent the the Israelis want: the war to continue at a stalemate, a more moderate Iranian government in the end and will somehow find a way to continue getting their people (Jews) out of Iran through some kind of barter arrangement. In that the first two of their goals are, it would seem, generally congruent w/ our interests, and their last a fact of life, we should probably be seeing the return of the AMCIT hostages as a subsidiary benefit -- not the primary objective, though it may be a part of the necessary first steps in achieving the broader objectives. While Kimche, Meron, Copp and I all agree that there is a high degree of risk in pursuing the course we have started, we are now so far down the road that stopping what has been started could have even more serious repercussions. We all view the next steps as "confidence building" on the part of both sides. None of us have any illusions about the cast of characters we are dealing with on the other side. They are a primitive, unsophisticated group who are extraordinarily distrustful of the West in general and the Israelis/U.S. in particular. They have not the slightest idea of what is going on in our government or how our system works. Today for example, Gorba called Copp in absolute confusion over the fact that Rafsanjani had just received a letter from (of all people) Sen. Helms regarding the American Hostages. Since the Iranians are adamant that they not be publicly connected with the seizure, holding or release of the AMCITs, why, Gorba wanted to know, was Helms being brought into this "solution to the puzzle." Gorba reiterated that "Batri ought to have more control over the members of his parliment" than to allow them to confuse an already difficult problem. Dick told him the letter had nothing to do with what we are about, but Gorba did not seem convinced that this wasn't some sort of effort to embarass Iran.
Given this very unsophisticated view of things on their part and the distrust that the Iranians obviously feel, we believe that if we stop the current effort at this point and do not at least proceed with a "test" of the current relationship we:
-- run the risk of never being able to establish a "foothold" for the longer term goals in that the people we are dealing with will be totally discredited at home; and
-- incur the greater likelihood of reprisals against us for "leading them on." These reprisals could take the form of additional hostage seizures, execution of some/all of those now held, or both.

While the threat to carry out sanctions against us has not, to my knowledge, ever arisen (it certainly has not since Kimche/Copp/North have been directly engaged -- and Michael never mentioned it), it is interesting to note that when Copp questioned the bona fides of Gorba and his cohorts as capable of delivering on their end of the arrangement, Gorba carefully noted that since these discussions began w/ Michael & Schwimmer, there has not been a single Islamic Jihad bomb threat, hijacking or kidnapping -- and that there would be none if this "worked." D.K., Copp and I regard this to be at least one sign of confidence that this activity may yet prosper. There are some lesser indications of confidence in recent days:
-- in response to Copp's demand for funds to be deposited in advance to defray operational costs, and what the Iranians were told were "purchases" on the arms market" a total of $41M has been deposited;
-- the 18 HAWKs delivered last week have been repackaged and are ready for return to origin on the next available flight;
-- the parties in Europe continue to stress that their requirements are long-term and that they are anxious to get on with a longer range program of Israeli originated support which would include technical assistance w/ sophisticated hardware which is critically needed but deadlined (in this regard Gorba at one point noted that at times they have as few as 30

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operational tanks and less than a dozen flyable aircraft).

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With all of the above as a lengthy preamble describing two nearly frantic weeks w/ the Israelis & Iranians, the following proposal has evolved which the Iranians today said they wd like to discuss in detail on Saturday:

-- The total "package" from the Israelis wd consist of 50 I HAWKs w/ PIP (product improvement package) and 3300 basic TOWs.

-- Deliveries wd commence on or about 12 December as follows:

H-hr: 1 707 w/300 TOWs = 1 AMCIT
H+10hrs: 1 707 (same A/C) w/300 TOWs = 1 AMCIT
H+16hrs: 1 747 w/50 HAWKs & 400 TOWs = 2 AMCITs
H+20hrs: 1 707 w/300 TOWs = 1 AMCIT
H+24hrs: 1 747 w/2000 TOWs = French Hostage

All involved on our side recognize that this does not meet one of the basic criteria established at the opening of this venture: a single transaction which wd be preceded by a release of the hostages. However, given the points above regarding the mutual distrust in the dialogue, we all believe it is about the only way we can get the overall process moving. Measures have been taken to reduce the chance for duplicity on the part of the Iranians and to preserve a measure of OPSEC in carrying out the transaction. In the case of a double cross, one of the Iranians will be in the hands of assets we control throughout. One of them [redacted] has already suffered a serious (though apparently not fatal) heart attack after last week's HAWK transaction failed to produce results. The first two deliveries, via 707 freighters are relatively small and if they do not produce the desired outcomes, all else stops. All $ are now under our control.

OpSEC concerns are threefold: communications, deliveries enroute to Iran and replenishment of the Israeli stocks. To solve the first problem an OPs Code is now in use by all parties. This code is similar to the one used to oversee deliveries to the Nicaraguan Resistance and has never been compromised. The delivery/flight planning security problem has been solved by a much more deliberate selection of aircraft and aircrews as well as a series of transient airfields which can be used enroute to the field controlled by the Iranian Army at Tabriz. Appropriate arrangements have also been made to ensure that the overflight of [redacted] is not challenged. All A/C will be inspected by one of the Iranians at a transient location between Tel Aviv and Tabriz. Before the A/C actually crosses into Iranian airspace, the appropriate release(s) must occur. The last OPSEC concern, that of replenishing Israeli stocks, is probably the most delicate issue. The quantity of TOWs requested represents [redacted] Meron and I are working w/ the Israeli purchasing office in NYC to ensure that the replenishment can be accomplished quickly after December 12 as possible. All recognize that quantities [redacted] degrade Israeli readiness and that the items will need to be dispatched quickly in order to preclude disaffection and leaks. Meron has solved at least one of the problems in this regard by identifying a means of transferring the required cash to an IDF account which will allow cash (rather than FMS credit) purchases from the U.S.

In order to put this plan into action, Kimche, Copp, Schwimmer and Goode plan to meet in London on Saturday morning to review all arrangements. If we are satisfied that all our assets (money, aircraft, aircrews, transit facilities, overflight arrangements and military equipment) are prepared, Copp and Kimche will meet at another hotel with Gorba and [redacted] to finalize [illegible] evening at our hotel to review any last minute changes. I wd then call you (using the Ops code), transmit the agreed upon arrangements for approval and, if you concur, Kimche & Copp will meet again w/ the Iranians on Sunday a.m. to express our agreement with the plan. Copp & Goode wd return to the U.S. Sunday p.m. on separate flights. On the 11th, the day before the plan is to be executed, Copp will establish a CP in [redacted] at the [redacted] controlled airfield [redacted] where he can monitor implementation & stop it at any point we desire. The secondary fields [redacted] will be covered by Copp controlled assets who are not witting of the true origin, destination or contents of the A/C but who can "fix" things in a hurry if something goes wrong. One of our other people wil' be in contact [redacted] throughout.

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[redacted]

Once in hand, the hostages will be flown [redacted] to Larnaca on our Navy HH-53 where they will be picked up by a EUCOM C-141 and flown to Wiesbaden for debriefing. 1[illegible]hrs later Oakley will proceed from Andrews AFB to Wiesbaded with family members -- thus allowing us 24 uninterrupted hours for debriefing. The debrief team will be staged at Wiesbaden 12 hours in advance, just as we did two weeks ago without notariety. Dewey is the only other person fully witting of this entire plan. Copp is not briefed on [redacted] -- though he suspects. The Israelis are in the same position. Dewey and I have been through the whole concept twice looking for holes and can find little that can be done to improve it given the "trust factor" with the Iranians. In that all parties involved have great interest in keeping this as quiet as possible, [redacted] we beleive it to be
the risk. I have not confided in Dewey re the longer term goals
ld/should hope to achieve. Thus, the only parties fully aware of
the dimensions of what we are about are you and RCM.

I have given careful consideration to what you suggested re an RCM meeting
ith the Iranians in an effort to obtain release of the hostages before
starting on an effort to undo the present regieme in Tehran. Like you and
Bud, I find the idea of bartering over the lives of these poor men repugnant.
etheless, I believe that we are, at this point, barring unforseen develop-
ts in London or Tel Aviv, too far along with the Iranians to risk turning
k now. If we do not at least make one more try at this point, we
d a good chance of condemning some or all to death and a renewed
e of Islamic Jihad terrorism. While the risks of proceeding are
ificant, the risks of not trying one last time are even greater.

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Exhibit CWW-13

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N 28746

NATIONAL SECURITY COUNCIL

December 9, 1985

MEMO FOR ROBERT C. MCFARLANE
JOHN M. POINDEXTER

FROM: OLIVER L. NORTH

Attached are our plans to date.

[redacted]

YES ON

EXHIBIT
CWW13

[illegible] 8 May 1987
[illegible]
by B. [illegible] National Security Council

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December 9, 1985
N 28747

NEXT STEPS

The meetings this weekend with the Israelis and Gorbanifahr were inconclusive. Gorbanifahr refused to return to Geneva with our message that no further deliveries would be undertaken until all the hostages were released. Gorbanifahr and the Israelis both believe that if he were to pass such a message to the Iranian Prime Minister or [redacted] (who provides funds for items delivered) -- one or more of the hostages would be executed. Gorbanifahr noted that nine Hizballah leaders had been summoned to Tehran on Friday and that, given the pressures inside Lebanon, all it would take for the hostages to be killed would be for Tehran to "stop saying no."

Much of what we decide to do in the days ahead depends upon whether or not we can trust Gorbanifahr. The Israelis believe him to be genuine. Gorbanifahr's earlier game plan delivered Reverend Weir. He has proposed that we "deliver something" so that he can retain credibility with the regime in Tehran. He even suggested that the weapons delivered be useful only to the Army or Air Force (not the Revolutionary Guards) and that they be "technically disabled." He urged that, if improved HAWKs were not feasible, to at least keep the door open by some kind of delivery between now and the end of the week. He said we must recognize that if TOWs are provided that they will probably go to the Revolutionary Guards.

The Israelis have willingly consented to "kick-back" arrangement which allows Israeli control over Gorbanifahr and [redacted] Israel believes strongly in using any means to bridge into Iran. Their last three governments over a four year period have been consistent in this theme.

Whether we trust Gorbanifahr or not, he is irrefutably the deepest penetration we have yet achieved into the current Iranian Government. There is nothing in any [redacted] which contradicts what he has told us or the Israelis over the past several months. Much of our ability to influence the course of events in achieving a more moderate Iranian Government depends on the validity of what Gorbanifahr has told us -- and his credibility as one who can "deliver" on what the Iranians need. While it is possible that Gorbanifahr is doubling us or simply lining his own pockets, we have relatively little to lose in meeting his proposal; i.e., the Israelis start delivering TOWs and no hostages are recovered. On the other hand, a supply operation now could very well trigger results he claims.

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~~Declassify: OADR~~

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Partially Declassified/Released on ________
under provisions of E.O. 12356
by B. Reger, National Security Council

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The current situation is one in which information is incomplete, the motivation of the various participants uncertain, and our operational control tenuous in that we have had to deal exclusively through the Israelis. The near term risk to the hostages has undoubtedly been increased by Iranian "expectations" arising from earlier decisions to proceed with deliveries and by the increasing pressure against Hizballah in Lebanon. [redacted]

Our greatest liability throughout has been lack of operational control over transactions with Gorbanifahr. The Israeli contact, Schwimmer, has arranged deliveries of items which were not requested by Gorbanifahr for the Iranian military. Further, the terms which he negotiated are disadvantageous to the IDF and our ability to replenish the Israelis. It was apparent, during the meeting with McFarlane, that Gorbanifahr preferred to deliver only items useful to the Iranian military -- not the Revolutionary Guard. Despite admonishments to the contrary, Schwimmer had already arranged for the 3,300 TOWs as part of the next steps.

Schwimmer's arrangements would have exchanged the 3,300 TOWs for three hostages at a price which would not allow the IDF to recoup expenses, thus complicating our ability to replenish IDF stores. In short, most of the problems with this endeavor have arisen because [redacted] rational control over arrangements o[redacted] the meeting wi[redacted] Iranians [redacted] which are [redacted] so if the in-bound aircraft has something aboard which the Iranians want. At the end of the meeting it was agreed that we would "get back" to Gorbanifahr quickly as to our next steps. He departed for Geneva to brief [redacted] to the effect that "technical difficulties remain to be overcome before further deliveries can be scheduled."

The question which now must be asked is should we take a relatively small risk by allowing (encouraging) a small Israeli-originated delivery of TOWs and hope for the best or should we do nothing? If such a delivery were to take place, we would have to plan to replenish the Israeli stocks on a "routine" basis to avoid drawing attention.

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If we are to prevent the death or more of the hostages in the near future, we appear to have four options available:

- Accept Gorbanifahr/Schwimmer's game plan:
  - -- Stretch and replenishment to Israel over several months making it routine.
  - -- 1,100 TOWs are maximum risk materielly. Cost and cover can be maintained by selling from stock to Israel over time.
  - -- If hostages are recovered disclosure doesn't hurt much.
- [redacted]
- Allow the Israelis to deliver 400-500 TOWs while picking up 18 HAWKs in effort to show good faith to both factions in Iran:
  - -- This could cause Iran to deliver a hostage as sign of cooperation. It will also serve to boost Gorbanifahr's reputation.
  - -- Israel could do this unilaterally and seek routine replacements.
  - -- This gives U.S. more breathing time (maybe!).
- Do nothing:
  - -- Very dangerous since U.S. has, in fact, pursued earlier Presidential decision to play along with Gorbanifahr's plan. U.S. reversal now in mid-stream could ignite Iranian fire -- hostages would be our minimum losses.

There is a fifth option which has not yet been discussed. We could, with an appropriate covert action Finding, commence deliveries ourselves, using Secord as our conduit to control Gorbanifahr and delivery operations. This proposal has considerable merit in that we will reduce our vulnerabilities in the replenishment of Israeli stocks and can provide items like the Improved HAWK (PIP II) which the Iranian Air Force wants and the Israelis do not have. Finally, Secord can arrange for third country nationals to conduct a survey of ground and air military requirements which is what Gorbanifahr has been attempting to obtain from the Israelis for nearly three months.

~~TOP SECRET~~ UNCLASSIFIED

N 28750

~~TOP SECRET~~

December 5, 1985

SPECIAL PROJECT RE IRAN

Background: Several months ago, one of the agents engaged in shipping materiel to the Nicaraguan resistance noted the presence of U.S. military stocks in a [redacted] warehouse. Inquiries indicated that the military materiel was of Israeli origin being shipped by a private company for sale to Iran. When we approached a high-level Israeli official with this knowledge, we were advised that the GOI was not "technically violating" the U.S. ban on shipments to Iran in that the sales were being undertaken by a non-governmental entity [redacted] We were told that each aircraft that delivered arms to Iran, returned to Israel [redacted]

In discussing the matter with the Israelis, they indicated that their objectives in "permitting" this activity were threefold:

-- Use the arms sales to build the credibility of moderate elements in the Iranian army in hopes that they would become sufficiently powerful to establish a more reasonable government in Tehran.

-- Deliver sufficient military materiel to ensure that the Iranian military does not collapse under the pressure of an increasingly effective Iraqi military effort.

[redacted]

In early September, in order that we not take action to terminate the arms sales, the Israelis proposed that this process be used as leverage to recover the American citizens held hostage in Lebanon. It was decided to test the validity of this proposal and on September 14, the Israelis, using chartered aircraft, delivered 500 TOW missiles to Tabriz, Iran. Prior to commencing this operation, we committed to the Israelis that we would sell them replacements for the items they had sold and delivered to Iran. Two days later Reverend Benjamin Weir was released.

EXHIBIT
DOD-7

~~TOP SECRET~~
Declassify: ~~OADR~~

UNCLASSIFIED

N 28751

__Current Situation__: The Iranians have significant interest in continuing this process. They are under extraordinary military pressure from Iraq and are, by their own admission, subject to regular overflights of Iranian territory by Soviet aircraft. They currently have no capability to deal with this affront and find themselves in an increasingly desperate situation vis-a-vis Iraq. They have urged the Israelis, with whom they are in contact, to continue the process which resulted in the release of Benjamin Weir.

Our continuing efforts to achieve release of the hostages through diplomatic and other means have proven fruitless. There are numerous indications including reports from the special representative of the Archbishop of Canterbury, Terry Waite, that time is running out for the hostages. We are relatively confident of information that former Beirut Chief of Station, Bill Buckley is dead [redacted]

The Iranians, who have been in contact with the Israelis, are cognizant of the pressure being placed on their Hizballah surrogates in Lebanon and that it is entirely likely that the only leverage they will have over us (the hostages) may no longer be available in the near future. These Iranians, the same that arranged the release of Weir, have now proposed that in exchange for an immediate delivery of 3,300 TOW missiles and 50 Improved HAWK Surface-to-Air missiles from Israel, they will guarantee:

-- The release of the five Americans and one of the French hostages still being held.

-- No further acts Shia fundamentalist terrorism (hijackings, bombings, kidnappings) directed against U.S. property or personnel.

There is considerable reason not to accept this proposal. It is contrary to our stated policy of not making concessions to terrorists or those who sponsor them. It is also possible that such an arrangement is a "double-cross" in that the Iranians can not or will not release the captives as agreed. Such an arrangement, bartering for the lives of innocent human beings, is repugnant. Finally, the quantities which the Iranians wish to purchase will significantly degrade Israeli stockpiles and require very prompt replenishment.

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UNCLASSIFIED

U.S. Interests: Notwithstanding the undesirable nature of such a transaction, it must be noted that the first two Israeli objectives are congruent with our own interests:

-- A more moderate Iranian government is essential to stability in the Persian Gulf and MidEast.

-- Such a change of government in Iran is most likely to come about as a consequence of a credible military establishment which is able to withstand the Iraqi onslought and deter Soviet adventurism/intimidation. The Iranian army (not the Revolutionary Guards) must be capable of at least stalemating the war.

-- Shia fundamentalist terrorism is a serious threat to the United States which has long-term adverse consequences for our interests and we must endeavor to stop its spread.

-- The return of the American hostages will relieve a major domestic and international liability -- in addition to its obvious humanitarian aspect.

The first three of these goals may well be achievable -- and the fourth accrued as a subsidiary benefit -- by commencing the process of allowing the Israeli sales as proposed by the Iranian agents in Europe. It is unlikely, however, that we can proceed further toward the first three -- and not at all on the hostage release unless we allow the process of delivery to begin.

Discussions toward this end have been proceeding among the Israelis, Iranians and a U.S. businessman acting privately on behalf of the USG for nearly three weeks. There are several indications of confidence that an arrangement can be consummated in the next 10 days which would result in the release of the hostages and commencement of a process leading toward the first three objectives above. The military situation in the Iran/Iraq war and the increasing pressure on the Hizballah in Lebanon both point toward immediate action. There is also, as the Iranian intermediaries pointed out last week, a complete absence of any Shia fundamentalist hijackings, assassinations, hostage seizures, or bombings since this dialogue began in September. While there have not been expressed or implied threats by the Iranians in these discussions, the Israeli and U.S. private citizen participants believe that if the current effort is not at least tried, we run the risk of abandoning both the longer term goals and the likelihood of reprisals against us for "leading them on." These reprisals would probably take the form of additional hostage seizures, execution of some/all those now held, or both.

next steps: The Iranians, the Israelis, and our U.S. businessman plan to meet in London on Saturday, December 6 to discuss whether or not to proceed with the sale of the TOWs and HAWKs. The Israeli government has informally told us that if they can be assured of "prompt" resupply, they will sell the quantities requested from their prepositioned war reserve. 3,300 TOWs represents approximately half their available supplies.

The U.S. Businessman has arranged for the charter of two non-U.S. registered aircraft for use in the deliveries. The total delivery would be conducted in 5 flights from Tel Aviv to Tabriz, Iran via interim airfields in Europe prior [redacted] Each delivery is to result in the release of a specified number of hostages. Arrangements for the interim airfields, overflight rights, and flight plans have been made, some with the help of the CIA. A communications code to preserve operational security is available for use by all parties. All aircraft would be inspected by an Iranian at one of the transient locations between Tel Aviv and Tabriz. [illegible] evolution [illegible] designed to be completed in [illegible] 24 [illegible] can [illegible] stopped at any point if the Iranians fail to deliver.

The greatest operational security [illegible] that of replenishing Israeli stocks. The Israelis have identified a means of transferring the Iranian provided funds to an Israeli Defense Force (IDF) account, which will be used for purchasing items not necessarily covered by FMS. They will have to purchase the replenishment items from the U.S. in FMS transaction from U.S. stocks. Both the number of weapons and the size of the cash transfer could draw attention. If a single transaction is more than $14.9 M, we would normally have to notify Congress. The Israelis are prepared to justify the large quantity and urgency based on damage caused to the equipment in storage.

[redacted]

If this process achieves the release of the hostages and proves the credibility of the Iranian contacts in Europe, Bud McFarlane would then step in to supervise achieving the longer range goals. Additional meetings with the Iranians would be arranged to further our objectives without requiring such large scale sales/deliveries by the Israelis.

Approval is now required for us to take the next steps on Saturday. After carefully considering the liabilities inherent in this plan, it would appear that we must make one last try or we will risk condemning some or all of the hostages to death and undergoing a renewed wave of Islamic Jihad terrorism. While the risks of proceeding are significant, the risks of not trying are even greater.

~~TOP SECRET~~

~~TOP SECRET~~

032

BEST AVAILABLE COPY

Exhibit CWW-14

[illegible]	[illegible]
The President	
John M. Poindexter	
3 Oliver L. North	
4	
5	
6	
x ACTION	FILE
APPROVAL	INFORMATION
COMMENT	PREPARE REPLY
CONCURRENCE	RECOMMENDATION
DIRECT REPLY	RETURN
DISPATCH	SIGNATURE
REMARKS	

UNCLASSIFIED

N 11246

NSC/ICS CONTROL NO 400[illegible]

COPY NO 3A OF ___

HANDLE VIA SYSTEM IV CHANNEL ONLY

EXHIBIT
CWW-14

NSC INTELLIGENCE DOCUMENT

Partially Declassified/Released on 23 Jan 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

1268

Warning Notice
Intelligence Sources and Methods Involved
NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

UNCLASSIFIED

N 3779
12/1/?
KF

UNCLASSIFIED

[illegible]

SYSTEM [illegible]
NSC/ICS-40[illegible]

January 4, 1986 N 1249

~~TOP SECRET~~ [redacted]

ACTION

MEMORANDUM FOR JOHN M. POINDEXTER

FROM: OLIVER L. NORTH

SUBJECT: Covert Action Finding on Iran

Attached at Tab I is a memorandum from you to the President forwarding a Covert Action Finding (Tab A). This Finding is based on our discussions with Nir and my subsequent meeting with CIA General Counsel Stanley Sporkin.

At Sporkin's request, I talked to Bill Casey on secure re the Finding and the overall approach. He indicated that he thought the Finding was good and that this is probably the only approach that will work. He shares our goal of achieving a more moderate government in Iran through this process.

RECOMMENDATION:

That you sign the memorandum to the President at Tab I.

Approve ____ Disapprove ____

Attachments
Tab I - Poindexter Memo to the President
Tab A - Covert Action Finding

Partially Declassified/Released on 29 June 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

1268a

~~TOP SECRET~~
~~Declassify on:~~ OADR UNCLASSIFIED [redacted]

UNCLASSIFIED

THE WHITE HOUSE

WASHINGTON

SYSTEM II
NSC/ICS-4001[illegible]

N 1251

~~TOP SECRET~~ [redacted]

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN M. POINDEXTER

SUBJECT: Covert Action Finding Regarding Iran

This week, Prime Minister Peres of Israel secretly dispatched his special advisor on terrorism with instructions to propose a plan by which the U.S. and Israel can act in concert to bring about a more moderate government in Iran. The Israelis are obviously very concerned that the course of the Iran-Iraq war and the potential for further radicalization in Iran pose a significant threat to the security of Israel.

The Israeli plan is premised on the assumption that moderate elements in Iran can come to power if these factions demonstrate their credibility in defending Iran against Iraq and in deterring Soviet intervention. To achieve the strategic goal of a more moderate Iranian government, the Israelis are prepared to unilaterally commence selling military materiel to Western-oriented Iranian factions. It is their belief that by so doing they can achieve a heretofore unobtainable penetration of the Iranian governing heirarchy. The Israelis are convinced that the Iranians are so desperate for military materiel, expertise and intelligence that the provision of these resources will result in favorable long-term changes in personnel and attitudes within the Iranian government. Further, once the exchange relationship has commenced, a dependency would be established on those who are providing the requisite resources, thus allowing the providor(s) to coercively influence near-term events.

As described by the Prime Minister's emissary, the only requirement the Israelis have is an assurance that they will be allowed to purchase U.S. replenishments for the stocks that they sell to Iran. Since the Israeli sales are technically a violation of our Arms Export Control Act embargo for Iran, a Presidential Covert Action Finding is required in order for us to allow the Israeli sales to proceed and for our subsequent replenishment sales.

~~TOP SECRET~~ [redacted]
Declassify on: OADR

UNCLASSIFIED

N. 1252

~~[illegible]~~

[redacted]

The Covert Action Finding attached at Tab A provides the latitude for the transactions indicated above to proceed. If this Finding is signed, we would not interfere when the Israelis unilaterally commence sales and deliveries of TOW missiles during January, 1986. We would also be able to legally sell basic TOWs to Israel when they submit purchase orders for replenishing their own stocks. The Iranians have indicated an immediate requirement for 4,000 basic TOW weapons for use in the launchers they already hold. We would be expected to replace the Israeli stocks in less than 30 days. 4,000 missiles represent 1/3 of all available TOWs in Israel.

The Israelis and the Iranians with whom they are in contact agree that the continued holding of the five American hostages in Beirut will be immediately solved through commencement of this action. Prime Minister Peres had his emissary pointedly note that they well understand our position on making concessions to terrorists. They also point out, however, that terrorist groups, movements, and organizations are significantly easier to influence through governments than they are by direct approach. In that we have been unable exercise any suasion over Hizballah during the course of nearly two years of kidnappings, this approach through the government of Iran may well be our only way to achieve the release of the Americans held in Beirut. It must again be noted that since this dialogue with the Iranians began in September, Reverend Weir has been released and there have been no Shia terrorist attacks against American or Israeli persons, property, or interests.

The Israelis have asked for our urgent response to this proposal so that they can plan accordingly. They note that the current crisis in the Middle East provides a rationale for a significant purchase of TOWs and expedited delivery on our part. In order to provide an answer to Prime Minister Peres, the Finding at Tab A should be discussed privately with Secretaries Shultz, Weinberger, Director Casey and Attorney General Meese. If, based on their input, you decide to proceed, the Finding should be signed and held.

Recommendation:

OK   No

____ ____ That you agree to meet with Secretaries Shultz and Weinberger, Director Casey and Attorney General Meese on this matter as soon as possible.

Prepared by:
Oliv[illegible]orth

Attachment
Tab A - Covert [illegible]

UNCLASSIFIED

[illegible]

N 7253

UNCLASSIFIED

N 1254

Finding Pursuant to Section 662 of The Foreign Assistance Act of 1961, As Amended, Concerning Operations Undertaken by the Central Intelligence Agency in Foreign Countries, Other Than Those Intended Solely for the Purpose of Intelligence Collection

I hereby find that the following operation in a foreign country (including all support necessary to such operation) is important to the national security of the United States, and due to its extreme sensitivity and security risks, I determine it is essential to limit prior notice, and direct the Director of Central Intelligence to refrain from reporting this Finding to the Congress as provided in Section 501 of the National Security Act of 1947, as amended, until I otherwise direct.

SCOPE	DESCRIPTION
Iran	Work with Iranian elements, groups and individuals, selected foreign liaison services and third countries, all of which are sympathetic to U.S. Government interests and which do not conduct or support terrorist actions directed against U.S. persons, property or interests, for the purpose of: (1) establishing a more moderate government in Iran, and (2) obtaining from them significant intelligence not otherwise obtainable, to determine the current Iranian Government's intentions with respect to its neighbors and with respect to terrorist acts. Provide funds, intelligence, counterintelligence, training, guidance and communications assistance to these elements, groups, individuals, liaison services and third countries in support of these activities. The USG will act to facilitate efforts by third parties and third countries to establish contact with moderate elements within and outside the Government of Iran by providing these elements with arms, equipment and related materiel in order to enhance the credibility of these elements in their effort to achieve a more pro-U.S. government in Iran by demonstrating their ability to obtain requisite resources to defend their country against Iraq and intervention by the Soviet Union. This support will be discontinued if the U.S. Government learns that these elements have abandoned their goals of moderating their government and appropriated the materiel for purposes other than that provided by this Finding.

Partially Declassified/Released on 23 June 1987
under provisions of E.O. 12356
by [illegible] Reger, National Security Council

The White House

[illegible]

EXHIBIT CWW-15

[redacted]

UNCLASSIFIED

#559 [illegible]

N 23723

Finding Pursuant to Section 662 of The Foreign Assistance Act of 1961 As Amended, Concerning Operations Undertaken by the Central Intelligence Agency in Foreign Countries, Other Than Those Intended Solely for the Purpose of Intelligence Collection

I hereby find that the following operation in a foreign country (including all support necessary to such operation) is important to the national security of the United States, and due to its extreme sensitivity and security risks, I determine it is essential to limit prior notice, and direct the Director of Central Intelligence to refrain from reporting this Finding to the Congress as provided in Section 501 of the National Security Act of 1947, as amended, until I otherwise direct.

and third parties

SCOPE	DESCRIPTION
Iran	Assist selected friendly foreign liaison services and third countries, which have established relationships with Iranian elements, groups, and individuals sympathetic to U.S. Government interests and which do not conduct or support terrorist actions directed against U.S. persons, property or interests, for the purpose of: (1) establishing a more moderate government in Iran, (2) obtaining from them significant intelligence not otherwise obtainable, to determine the current Iranian Government's intentions with respect to its neighbors and with respect to terrorist acts, and (3) furthering the release of the American hostages held in Beirut and preventing additional terrorist acts by these groups. Provide funds, intelligence, counter-intelligence, training, guidance and communications and other necessary assistance to these elements, groups, individuals, liaison services and third countries in support of these activities.
	The USG will act to facilitate efforts by third parties and third countries to establish contact with moderate elements within and outside the Government of Iran by providing these elements with arms, equipment and related materiel in order to enhance the credibility of these elements in their effort to achieve a more pro-U.S. government in Iran by demonstrating their ability to obtain requisite resources to defend their country against Iraq and intervention by the Soviet Union. This support will be discontinued if the U.S. Government learns that these elements have abandoned their goals of moderating their government and appropriated the materiel for purposes other than that provided by this Finding.

EXHIBIT
CWW-15

The White House
Washington, D.C.
Date: 6 January 1986

TOP SECRET

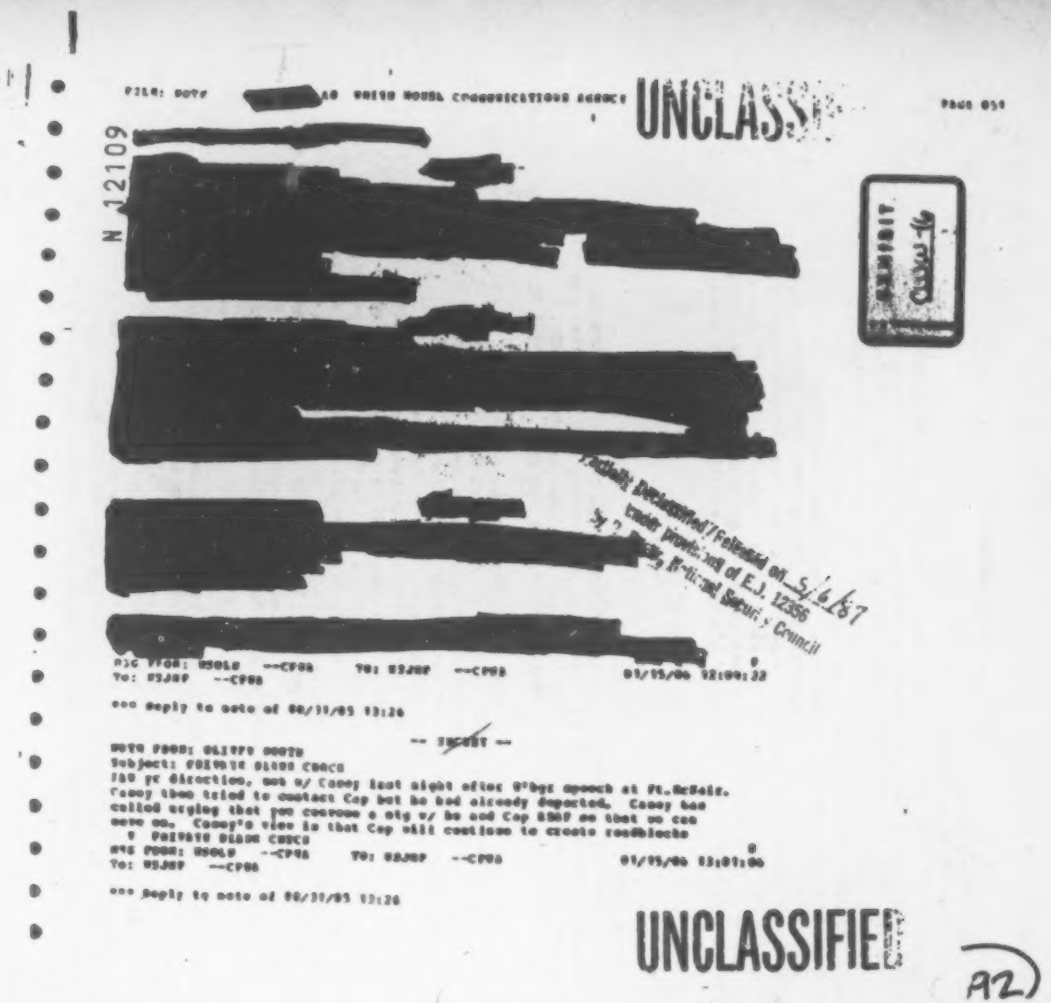
OSCR TS 0001-86
Copy 1

Ronald Reagan

[redacted]

0U2

EXHIBIT CWW-16



FILE: NOTE [redacted] AO WHITE HOUSE COMMUNICATIONS AGENCY UNCLASSIFIED PAGE 031

EXHIBIT CWW-16

N 12109

[redacted]

[redacted]

[redacted]

[redacted]

Partially Declassified/Released on 5/6/87 under provisions of E.O. 12356 by ... National Security Council

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MSG FROM: NSOLN   --CPUA      TO: NSJMP   --CPUA                01/15/86 12:00:22
To: NSJMP   --CPUA

*** Reply to note of 08/31/85 13:26

                                  -- ~~SECRET~~ --
NOTE FROM: OLIVER NORTH
Subject: PRIVATE BLANK CHECK
IAW yr direction, met w/ Casey last night after O'Bgr speech at Ft.McNair.
Casey then tried to contact Cap but he had already departed.  Casey has
called urging that you convene a mtg w/ he and Cap ASAP so that we can
move on.  Casey's view is that Cap will continue to create roadblocks
  * PRIVATE BLANK CHECK
MSG FROM: NSOLN   --CPUA      TO: NSJMP   --CPUA                01/15/86 13:01:06
To: NSJMP   --CPUA

*** Reply to note of 08/31/85 13:26
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UNCLASSIFIED

A2

EXHIBIT CWW-17

*** Reply to note of 08/31/85 11.26

11. .

[redacted]

NOTE FROM: OLIVER NORTH
Subject: PRIVATE BLANK CHECK

Continuation of last note (hit SEND when I meant to hit ADD LINES) ... Casey believes that Cap will continue to create roadblocks until he is told by you that the President wants this to move NOW and that Cap will have to make it work. Casey points out that we have now gone through three different methodologies in an effort to satisfy Cap's concerns and that no matter what we do there is always a new objection. As far as Casey is concerned our earlier method of having Copp deal directly with the DoD as a purchasing agent was fine. He did not see any particular problem w/ making Copp an agent for the CIA in this endeavor but he is concerned that Cap will find some new objection unless he is told to proceed. Colin Powell, who sat next to me during Cap's speech asked the following questions (my answers are indicated):

Q. Does Copp deal w/ Iranians or Israelis?
A. With the Israelis.

Q. Is the intelligence a prerequisite?
A. It is probably something that can be negotiated but in any event it is not a DoD matter. It is covered in the finding and is in fact one of the few means we have to make a long term penetration in Iran. Our ultimate objective of changing/moderating the govt. is served by this.

Q. What cost are the Israelis willing to pay for the basic TOWS?
A. They (thru Copp) have funds to pay Fair Market Value (FMV should be about $4900-5400 ea. depending on age) and to cover the cost of transportation. They do not have enough to pay for I TOW (about $9500 ea or TOW II ((about $15000 ea.). We have frequently sold the Israelis weaps/materiel at FMV vice the replacement cost to the U.S. Since we have over 100K of the basic TOW in our inventory and cannot even use it in training due to its age, we ought to look at this as an opportunity to collect on a weapon which we aren't using (all are in FWR according to Koch) and will eventually have to dispose of because we cannot sell them off otherwise. (I'm told that Hughes Acft, the mfgr. has an agreement w/ DoD that all normal FMS transactions will be handled as a producer sale in order to keep DoD fm undercutting the production line by selling off old stocks).

The most recent proposal (Copp as agent for the CIA and sales to the Israelis who then deliver weaps to the Iranians) can only work if we can get the Israelis to come up on their price. I have been unable to contact NIR who is in Europe for a meeting. He still does not know that we are aware that the Iranians have offered $10K per TOW. He has however left a message that we must have a go/no go decision today and that conditions in Bgt. continue to deteriorate. You shd also have seen

Partially declassified/Released on 4 May '87
under provisions of E.O. 12356
by B. Reger, National Security Council

U1-

EXHIBIT
CWW-17

EXHIBIT CWW-17A

From: NSOLN --CPU UNCLASSIFIED e and time 01/15/86 16:37:47
To: NSTHP --CPUA

1173
N 28735

*** Reply to note of 08/31/85 13:26

[redacted]

NOTE FROM: OLIVER NORTH
Subject: PRIVATE BLANK CHECK

Nir just called again. He has advised that he believes the GOI is about to formally withdraw its offer to assist on this matter so that it cannot be blamed when the AMCITS are killed. I asked him about the rumor that one had already been killed. He replied that it was probably another of the Jews since they (Hizballah) will undoubtedly kill the Jews first to make their point.

I then asked NIR to reconfirm, the requirements as he understood them. He said that the Iranians want 1000 TOWs, 25 Moslems released by Lahad and the AMCITs and any surviving jews wd be released along w/ the Brit if they (the IRG) can still find him.

The Israelis are very very concerned that they cannot make a delivery of 1000 TOWs w/o a promise to replenish. Nir points out that he is operating in an environment which is very hostile since the USG never made good on its promise to promptly replenish the original 504 TOWs that they shipped in September and that if we had but sent these TOWsas promised it might have been possible to take the further risk of another 1000.

IAW instructions have invited Sec W'bgr to mtg w/ Casey in yr ofc at 1700 on Thursday. It is my sense that by that time we will have a msg fm the GOI that they are withdrawing their offer. Is it possible to arrange a secure conference call tonight to see if we can make this work? V/R North

EXHIBIT
CWW-17A

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by B. Reger, National Security Council

UNCLASSIFIED

1932

EXHIBIT CWW-18

To: NSJMP --CPUA

*** Reply to note of 08/31/85 13:2A [redacted] 11

~~-- SECRET --~~ N 28736

NOTE FROM: OLIVER NORTH
Subject: PRIVATE BLANK CHECK

Per instructions, I called RCM Re understandings on the original 504 TOWs shipped by Israel to Iran. As I understand it, there was a USG committment to SELL, over time, replacements to the Israelis for what they sent for Weir. We DO, according to RCM have a commitment to make this SALE. We did NOT have any agreement on prices or ultimate dates, though it was understood by both sides that the transaction wd be concluded promptly.

As I understand the current problem w/ the purchase of the 504:

-- The Israelis received funds adequate to purchase only the basic TOW. Whether this is because Schwimmer pocketed the rest or whether there was a kick-back to neither Nir nor I know. Gorba told me that he had paid $10000 apiece for these weaps and pocketed $500 for each one delivered.

-- When the Israeli purchasing office in NYC, following their normal procedures, made inquiries w/ the Army Materiel Command (AMC) on the availability and price of basic TOWs, the AMC immediately began to question why the IDF wanted to revert to the basic model which was no longer in production and the IDF has already begun purchases of the I TOW for their inventory upgrade. AMC noted that there was an "understanding" with the Mfgr not to compete w/ the production line by selling the older weaps fm army stocks and that selling fm Army stocks wd be the only source available for the basic TOW. At this point, the purchasing office terminated the inquiry since they believed that the pruchase wd raise so many questions that it wd leak and complicate further action which, by then, was in the planning stages. The Israelis have made no further effort to purchase the basic TOWs but have been told in an unsolicited call from AMC that the basic model wd have to be the same price as the I TOW so that the AMC can recover replacement costs.

-- Nir continues to be apprehensive about going back in to ask his people to ship w/o some kind of guarantee of replenishment whether or not it succeeds in getting the hostages out. He is going to get back to me at 0300 EST re results of his meeting w/ the P.M. I passed yr msg verbatim to include He laughed and noted that the IDF would have even greater impetus if the hostages were killed rather than released, thus there are some who have argued against proceeding on this tack any further since it jeopardizes Israel w/ no promise of return.

At this point I believe that we could proceed along the following lines. Nir goes directly to Gorba (cutting out Schwimmer and gets $10M for 1000 basic TOWs. He then sends 1000 basic Tows fm Israeli stocks to Iran. hopefull the hostages are then released. He gives Secord whatever the FMV price is for 504 TOWs from the $10M (should be about $2.8M). Secord then buys and ships 504 Tows to Israel as replacement for the first exchange (Weir). This process wd at least provide the IDF w/ one third of what they had withdrawn from inventory. It is important to note that in my last discussion with Nir (he doesn't sleep either) he is very concerned about credibility all around. He noted that before they shipped the first 504, they had what they believed to be an ironclad promise to allow them to buy replacements but that all along the way there have been obstacles. He has confided that part of the pressure is indeed political in that he is com cerned about a leak ins. . the cabinet from someone who is disaffected over the drawdown of stocks, but if we wanted him to push for it he would. I believe that Nir himself is both so exhausted and in such jeopardy of losing his job over this that he may no longer be functional. I do not believe that Nir is lying to us. I do believe he is sincerely concerned about the outcome and wants to do what he can -- for both Israel and the US. He has promptly agreed to every proposal we have made to date except the final one of shipping 1000 TOWs w/o promise of replenishment. He will be back to us. Will advise.

EXHIBIT CWW-19

UNCLASSIFIED

TRANSMITTAL SLIP DATE 15 Jan 86

TO The Director

ROOM NO BUILDING

REMARKS

Bill:

Here are the Talking Points you asked me for today.

Stanley Sporkin

FROM:

ROOM NO BUILDING EXTENSION

FORM NO. 241 1 FEB 56 REPLACES FORM 36-8 WHICH MAY BE USED

[redacted]

1140

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ATTAI #109

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[illegible]

[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible] Jan 86	[illegible]
[illegible]	[illegible]	BRANCH [illegible]	[illegible]
[illegible]	[illegible]	ExReg, [illegible]	[illegible]

SUBJECT

T.F.

ORIGINATOR		EXTERNAL SOURCE INFORMATION ORIGINATOR		
DIRECTORATE	OFFICE BRANCH	AGENCY	CONTROL NUMBER	COPY NO
DCI	OGC/ICA			

ATTENTION: This form will be placed on top of and attached to each Top Secret document received by the Central Intelligence Agency or classified Top Secret within the CIA and will remain attached to the document until such time as it is downgraded, destroyed, or transmitted outside of CIA. Access to Top Secret matter is limited to Top Secret Control personnel and those individuals whose official duties relate to the matter. Top Secret Control Officers who receive and/or release the attached Top Secret material will sign this form and indicate period of custody in the left-hand columns provided. Each individual who sees the Top Secret document will sign and indicate the date of handling in the right-hand columns.

REFERRED TO	RECEIVED			RELEASED		SEEN BY		
OFFICE	SIGNATURE	DATE	TIME	DATE	TIME	SIGNATURE	OFFICE DIV	DATE
	rec'd 16 Jan.							
SA DDO	[illegible]							

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DATE	DATE	DATE

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FORM 26 OBSOLETE PREVIOUS EDITIONS

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OGC-86-50167
15 January 1986

TALKING POINTS

-- Whether existing statutes and regulations control the manner and method in which the DoD can sell weapons to third parties is an issue that DoD must determine. From a CIA standpoint, since there is a presidential finding, CIA is authorized to assist in the obtaining of the materiel in question. If CIA actually took control of materiel through an Economy Act transfer by DoD, this would seem to be the preferred way to handle the proposal from a legal standpoint. This would provide the maximum use of CIA authorities.

[redacted]

-- If CIA merely acts as an accommodation party and, in effect, requests DoD to deal with a particular agent, this might also be proper but it would be up to DoD to tell us whether their authorities would allow such a transaction outside of the Economy Act. We have found no such precedent.

-- The key issue in this entire matter revolves around whether or not there will be reports made to Congress. Each of the Acts involved--the Foreign Assistance Act, the Arms Export Control Act and indeed the National Security Act as amended--have certain reporting provisions in them. While the National Security Act provides for a certain limited reporting procedure, it is my view that there may be other ways of making a suitable report by exercise of the President's constitutional prerogatives.

-- One such possibility would be not to report the activity until after it has been successfully concluded and to brief only the chairman and ranking minority members of

OGCR TS 0802-86
Copy 1 of 2

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CIIN#110

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TOP SECRET

the two Oversight Committees. This would maximize the security of the mission and reduce the possibility of its premature disclosure.1/

-- In this way, you will have limited the number of persons having access to the information and also be assured that there will be no disclosure of the information until after the activity has been successfully completed. I repeat again that it is the various reporting requirements that seem to be dictating how we can proceed. If there can be an agreement that a report will be made, it minimizes the risk inherent in any such undertaking, and the way that the project is carried out can then be put on a less fractious basis.

-- Finally, whatever plan is adopted, such action should be taken only after it has been discussed with the Attorney General, the Secretary of Defense, the Secretary of State, and the Assistant to the President for National Security Affairs.

1/ As you know, the Act itself provides for a report to be limited to the chairman and ranking minority members of the intelligence committees, the Speaker and minority leader of the House of Representatives, and the majority and minority leaders of the Senate.

UNCLASSIFIED

TOP SECRET

EXHIBIT CWW-20

TOP SECRET

#47

N 10046

THE WHITE HOUSE

WASHINGTON

January 17, 1986

EXHIBIT
CWW-20

~~TOP SECRET~~

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN M. POINDEXTER JM

SUBJECT: Covert Action Finding Regarding Iran

Prime Minister Peres of Israel secretly dispatched his special advisor on terrorism with instructions to propose a plan by which Israel, with limited assistance from the U.S., can create conditions to help bring about a more moderate government in Iran. The Israelis are very concerned that Iran's deteriorating position in the war with Iraq, the potential for further radicalization in Iran, and the possibility of enhanced Soviet influence in the Gulf all pose significant threats to the security of Israel. They believe it is essential that they act to at least preserve a balance of power in the region.

The Israeli plan is premised on the assumption that moderate elements in Iran can come to power if these factions demonstrate their credibility in defending Iran against Iraq and in deterring Soviet intervention. To achieve the strategic goal of a more moderate Iranian government, the Israelis are prepared to unilaterally commence selling military materiel to Western-oriented Iranian factions. It is their belief that by so doing they can achieve a heretofore unobtainable penetration of the Iranian governing hierarchy. The Israelis are convinced that the Iranians are so desperate for military materiel, expertise and intelligence that the provision of these resources will result in favorable long-term changes in personnel and attitudes within the Iranian government. Further, once the exchange relationship has commenced, a dependency would be established on those who are providing the requisite resources, thus allowing the provider(s) to coercively influence near-term events. Such an outcome is consistent with our policy objectives and would present significant advantages for U.S. national interests. As described by the Prime Minister's emissary, the only requirement the Israelis have is an assurance that they will be allowed to purchase U.S. replenishments for the stocks that they sell to Iran. We have researched the legal problems of Israel's selling U.S. manufactured arms to Iran. Because of the requirement in U.S. law for recipients of U.S. arms to notify the U.S. government of transfers to third countries, I do not recommend that you agree with the specific details of the Israeli plan. However, there is another possibility. Some time ago Attorney

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N 10047

General William French Smith determined that under an appropriate finding you could authorize the CIA to sell arms to countries outside of the provisions of the laws and reporting requirements for foreign military sales. The objectives of the Israeli plan could be met if the CIA, using an authorized agent as necessary, purchased arms from the Department of Defense under the Economy Act and then transferred them to Iran directly after receiving appropriate payment from Iran.

The Covert Action Finding attached at Tab A provides the latitude for the transactions indicated above to proceed. The Iranians have indicated an immediate requirement for 4,000 basic TOW weapons for use in the launchers they already hold.

The Israeli's are also sensitive to a strong U.S. desire to free our Beirut hostages and have insisted that the Iranians demonstrate both influence and good intent by an early release of the five Americans. Both sides have agreed that the hostages will be immediately released upon commencement of this action. Prime Minister Peres had his emissary pointedly note that they well understand our position on not making concessions to terrorists. They also point out, however, that terrorist groups, movements, and organizations are significantly easier to influence through governments than they are by direct approach. In that we have been unable to exercise any suasion over Hizballah during the course of nearly two years of kidnappings, this approach through the government of Iran may well be our only way to achieve the release of the Americans held in Beirut. It must again be noted that since this dialogue with the Iranians began in September, Reverend Weir has been released and there have been no Shia terrorist attacks against American or Israeli persons, property, or interests.

Therefore it is proposed that Israel make the necessary arrangements for the sale of 4000 TOW weapons to Iran. Sufficient funds to cover the sale would be transferred to an agent of the CIA. The CIA would then purchase the weapons from the Department of Defense and deliver the weapons to Iran through the agent. If all of the hostages are not released after the first shipment of 1000 weapons, further transfers would cease.

On the other hand, since hostage release is in some respects a byproduct of a larger effort to develop ties to potentially moderate forces in Iran, you may wish to redirect such transfers to other groups within the government at a later time.

TOP SECRET

~~TOP SECRET~~

3

The Israelis have asked for our urgent response to this proposal so that they can plan accordingly. They note that conditions inside both Iran and Lebanon are highly volatile. The Israelis are cognizant that this entire operation will be terminated if the Iranians abandon their goal of moderating their government or allow further acts of terrorism. You have discussed the general outlines of the Israeli plan with Secretaries Shultz and Weinberger, Attorney General Meese and Director Casey. The Secretaries do not recommend you proceed with this plan. Attorney General Meese and Director Casey believe the short-term and long-term objectives of the plan warrant the policy risks involved and recommend you approve the attached Finding. Because of the extreme sensitivity of this project, it is recommended that you exercise your statutory prerogative to withhold notification of the Finding to the Congressional oversight committees until such time that you deem it to be appropriate.

Recommendation

OK	NO	
RR per JP	___	That you sign the attached Finding.

Prepared by:
Oliver L. North

Attachment
Tab A - Covert Action Finding

1000 17 Jan

President was briefed verbally from this paper. VP, Don Regan and Don Fortier were present.

JP

Finding Pursuant to Section 662 of The Foreign Assistance Act of 1961 As Amended, Concerning Operations Undertaken by the Central Intelligence Agency in Foreign Countries, Other Than Those Intended Solely for the Purpose of Intelligence Collection

I hereby find that the following operation in a foreign country (including all support necessary to such operation) is important to the national security of the United States, and due to its extreme sensitivity and security risks, I determine it is essential to limit prior notice, and direct the Director of Central Intelligence to refrain from reporting this Finding to the Congress as provided in Section 501 of the National Security Act of 1947, as amended, until I otherwise direct.

SCOPE	DESCRIPTION
Iran	Assist selected friendly foreign liaison services, third countries and third parties which have established relationships with Iranian elements, groups, and individuals sympathetic to U.S. Government interests and which do not conduct or support terrorist actions directed against U.S. persons, property or interests, for the purpose of: (1) establishing a more moderate government in Iran, (2) obtaining from them significant intelligence not otherwise obtainable, to determine the current Iranian Government's intentions with respect to its neighbors and with respect to terrorist acts, and (3) furthering the release of the American hostages held in Beirut and preventing additional terrorist acts by these groups. Provide funds, intelligence, counter-intelligence, training, guidance and communications and other necessary assistance to these elements, groups, individuals, liaison services and third countries in support of these activities. The USG will act to facilitate efforts by third parties and third countries to establish contact with moderate elements within and outside the Government of Iran by providing these elements with arms, equipment and related materiel in order to enhance the credibility of these elements in their effort to achieve a more pro-U.S. government in Iran by demonstrating their ability to obtain requisite resources to defend their country against Iraq and intervention by the Soviet Union. This support will be discontinued if the U.S. Government learns that these elements have abandoned their goals of moderating their government and appropriated the materiel for purposes other than that provided by this Finding.

The White House
Washington, D.C.
Date January 17, 1986

Ronald Reagan

OOCR TS 0001-86
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[redacted]

EXHIBIT CWW-21

D 2916

DEPARTMENT OF THE ARMY
OFFICE OF THE GENERAL COUNSEL
WASHINGTON, DC 20310

REPLY TO
ATTENTION OF

13 FEB 1986

UNCLASSIFIED

EXHIBIT
CWW-21

MEMORANDUM FOR THE SECRETARY OF THE ARMY

SUBJECT: Support to Intelligence Operations

During a recent review of an issue in our office, we noted a significant provision in the Intelligence Authorization Act for Fiscal Year 1986 that we wanted to call to your attention.

During Fiscal Year 1986, the transfer of defense articles or services exceeding one million dollars by an intelligence agency to a recipient outside that agency is considered a significant anticipated intelligence activity for the purpose of reporting to Congressional intelligence oversight committees. In addition, an intelligence agency may not transfer any defense articles or services outside the agency in conjunction with any intelligence or intelligence-related activity for which funds were denied by the Congress.

These provisions appear to reinforce our view of the importance of Congressional notifications in connection with support to intelligence operations.

Susan J. Crawford
Susan J. Crawford
General Counsel

N.B. In discussion with Mrs Crawford today, she advised that where we support another agency, they -- not we -- are responsible to make the necessary notifications.
13 Feb 86

767

ified/Released on 12 May 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

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EXHIBIT CWW-22

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N 9897

Paul, 3/12/86

Put this with the finding

JP

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under provisions of E.O. 12356
by B. Reger, National Security Council

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EXHIBIT
CWW-22

UNCLASSIFIED

OFFICE OF THE SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

N 9899

12 March 1986

MEMORANDUM FOR VICE ~~ADMIRAL~~ John POINDEXTER

The attached memorandum from the Director of the Army Staff is self-explanatory. It reflects the unease of the Army General Counsel's office over the transfer of items with which you are familiar. As you know, we have been handling this program on a very close hold basis, and the Army has been told nothing with respect to destination. Per guidance received from NSC, the Army has been told that they have no responsibility for Congressional notification. The Army has also been told that whatever notifications are to be made will be taken care of at the appropriate time by the appropriate agency and that the Attorney General has provided an opinion that supports this position.

The Secretary asked that I make you aware of the Army's concerns in the event you wish to advise the DCI or the Attorney General.

Colin L. Powell
Major General, USA
Senior Military Assistant
  to the Secretary of Defense

Declassified/[illegible] on 29 June 1987
under provisions of E.O. 12356
by B. [illegible] Security Council

1355

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DEPARTMENT OF THE ARMY
OFFICE OF THE CHIEF OF STAFF
WASHINGTON, D.C. 20310

N - 9900

DACS-SD

7 MAR 1986

MEMORANDUM FOR THE MILITARY ~~ASSISTANT~~ Colin TO THE SECRETARY OF DEFENSE

SUBJECT: Congressional Notification of Significant Intelligence Activities (U)

1. ~~(TS/NOFORN)~~ On 18 January 1986, the Army responded to a verbal tasking from your office to provide 1,000 TOW missiles to the Central Intelligence Agency with a contingency for 3,509 more at a later date. The first 1,000 missiles were delivered on 14 February 1986 to the CIA.

2. ~~(TS/NOFORN)~~ This request for support circumvented the normal [redacted] System for reasons of security, yet the support exceeded the $1 million threshold established in the FY86 Intelligence Authorization Bill for reporting to Congress as a "significant intelligence activity." Funds in excess of $3.5 million were provided by the CIA to reimburse the Army for the first 1,000 missiles. Billing and payment will occur within 60 days, or when all missiles are delivered, whichever is shorter. The Agency expects to complete the project within 60 days.

3. ~~(TS/NOFORN)~~ SECDEF memorandum of 13 June 1983, subject: DoD Support [redacted] (S), establishes responsibility for notification of Congress of DoD support to the Agency with the Deputy Under Secretary of Defense for Policy. It also confirms that primary responsibility resides with the Director, Central Intelligence. In the case of the TOW missiles, the Army understanding on responsibilities for notification conforms with your June 1983 memorandum.

4. ~~(TS/NOFORN)~~ This memo is to assure understanding of statutory requirements should this issue be raised by one of the Congressional intelligence committees in the future.

1356

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under provisions of E.O. 12356
by J. Reger, National Security Council

Art
ARTHUR E. BROWN, JR.
Lieutenant General, GS
Director of the Army Staff

: TM [illegible]

CLASSIFIED BY: DASP
DECLASSIFY ON: OADR

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EXHIBIT CWW-23

SECRET

DEPARTMENT OF THE ARMY
OFFICE OF THE DEPUTY CHIEF OF STAFF FOR OPERATIONS AND PLANS
WASHINGTON, DC 20310

REPLY TO ATTENTION OF
DAMO-SA

EXHIBIT
CWW-23

18 APR 1986

MEMORANDUM FOR DIRECTOR, JOINT STAFF

SUBJECT: [redacted] System (U)

1. (S) The [redacted] System provides a single channel for requests for support from the Central Intelligence Agency to the Department of Defense. The system protects extremely sensitive information from both inadvertent and deliberate disclosure, allows for covert support to Agency operations worldwide, and insures adequate Service review of the requests. [redacted]

2. (S) Recently, a number of requests involving transfer of high technology weapons, large quantities of limited, sophisticated missiles, and/or spares for low density weapons have bypassed the [redacted] System. These requests have been made by members of the Office of the Secretary of Defense directly to Service officials. [redacted] has either not participated or has done so after the fact.

3. (S) Requests which bypass the [redacted] System receive less Service and no Joint Staff scrutiny, yet may impact on the Service's warfighting capabilities. The Secretary of Defense should be made aware that using ad hoc channels to support the CIA may degrade security overall and impair national security.

CARL E. VUONO
Lieutenant General, GS
Deputy Chief of Staff for
Operations and Plans

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under provisions of E.O. 12356
by B. Reger, National Security Council

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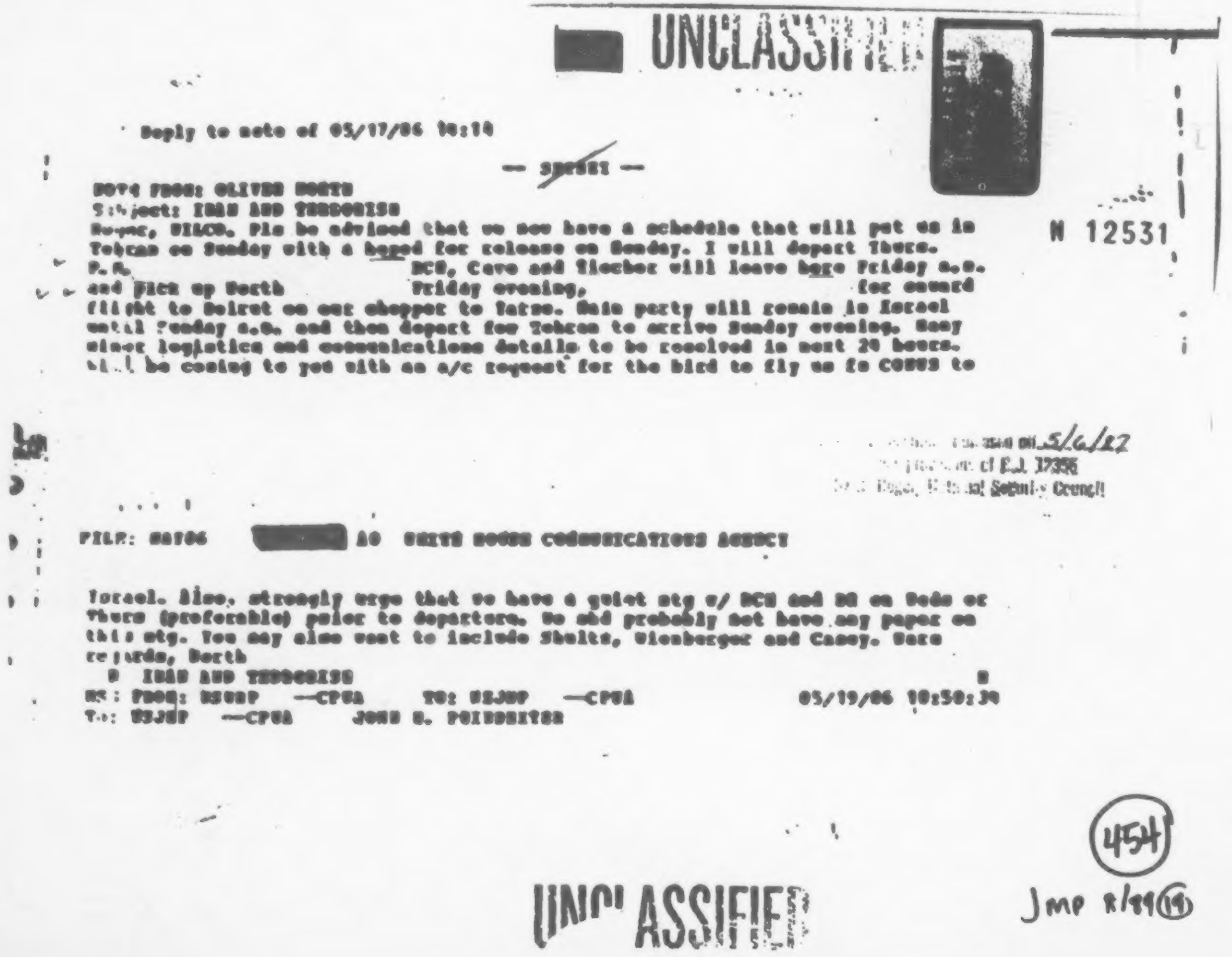

[redacted] UNCLASSIFIED

N 12531

Reply to note of 05/17/86 10:14

— ~~SECRET~~ —

NOTE FROM: OLIVER NORTH
Subject: IRAN AND TERRORISM
Roger, WILCO. Pls be advised that we now have a schedule that will put us in Tehran on Sunday with a hoped for release on Sunday. I will depart there. P.R. RCM, Cave and Teicher will leave here Friday a.m. and pick up North Friday evening, for onward flight to Beirut on our chopper to Larna. Main party will remain in Israel until Sunday a.m. and then depart for Tehran to arrive Sunday evening. Many minor logistics and communications details to be resolved in next 24 hours. Will be coming to you with an a/c request for the bird to fly us fm CONUS to

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by B. Reger, National Security Council

FILE: NA706 [redacted] AO WHITE HOUSE COMMUNICATIONS AGENCY

Israel. Also, strongly urge that we have a quiet mtg w/ RCM and JP on Weds or Thurs (preferable) prior to departure. We shd probably not have any paper on this mtg. You may also want to include Shultz, Weinberger and Casey. Warm regards, North

* IRAN AND TERRORISM *
NS: FROM: NSOLN --CPUA TO: NSJMP --CPUA 05/19/86 10:50:39
To: NSJMP --CPUA JOHN M. POINDEXTER

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(454)

JMP 8/89 ⑲

EXHIBIT CWW-25

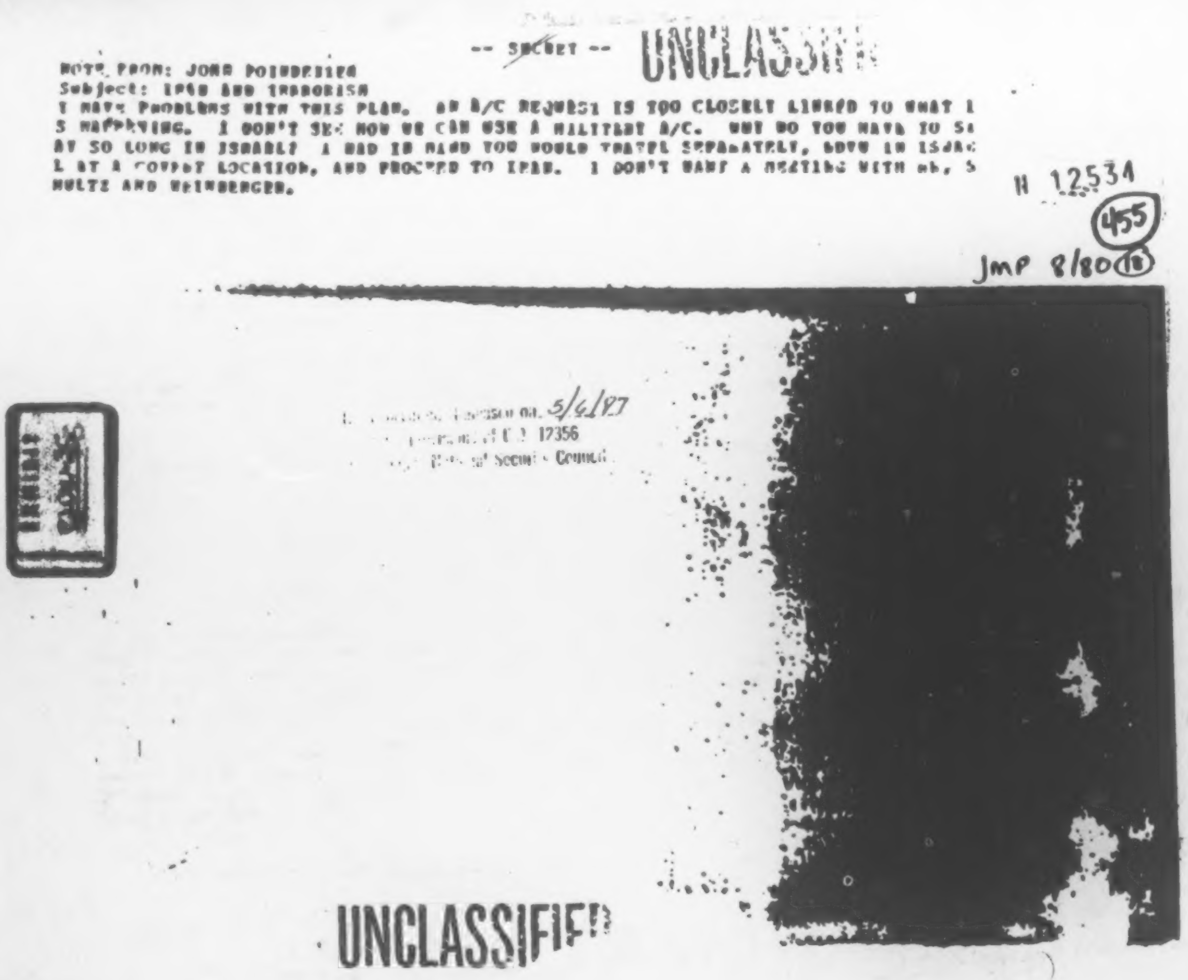

EXHIBIT
CWW-25

-- ~~SECRET~~ --

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NOTE FROM: JOHN POINDEXTER
Subject: IRAN AND TERRORISM

I HAVE PROBLEMS WITH THIS PLAN. AN A/C REQUEST IS TOO CLOSELY LINKED TO WHAT IS HAPPENING. I DON'T SEE HOW WE CAN USE A MILITARY A/C. WHY DO YOU HAVE TO STAY SO LONG IN ISRAEL? I HAD IN MIND YOU WOULD TRAVEL SEPARATELY, MEET IN ISRAEL AT A COVERT LOCATION, AND PROCEED TO IRAN. I DON'T WANT A MEETING WITH RR, SHULTZ AND WEINBERGER.

N 12534

(455)

JMP 8/80 (18)

[redacted]

[illegible] on 5/6/87
[illegible] 12356
[illegible] Security Council

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EXHIBIT CWW-26

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by B. Reger, National Security Council

DEPARTMENT OF THE ARMY
OFFICE OF THE GENERAL COUNSEL
WASHINGTON, DC [illegible]

10 OCT 1986

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EXHIBIT
CWW-26

MEMORANDUM FOR THE SECRETARY OF THE ARMY

SUBJECT: Additional Support of Project Crocus (U)

(U) The action memorandum to you of September 8, 1986, SAB, concerns additional support for this project beyond that already provided in May 1986. The Chief, TMO provided me with the action memorandum and supporting documentation because the original request was not processed through the prescribed [redacted] System and did not receive the legal reviews required by the DASP(U). The action memorandum on additional support also omits TMO, OTJAG, and my office.

(S) I have not been provided with uufficient information on this project to permit a complete legal review or concurrence, but the available information (or lack thereof) does raise serious legal and policy concerns that should be resolved prior to your action on this request. Specifically:

a. (S) Since the ultimate purpose of this request and destination for the materiel have not been disclosed, I cannot address statutory or other restrictions that might apply, or the approval authority required under DOD Directive 5210.36. Review by the DUSD(P) is required if this request involves substantial risk of embarrassment to the United States or DOD, or, if in your judgment, it involves questions of policy or propriety.

b. (S) The request, if supported, will result in an inventory zero balance on three items and impact on the Army's air defense capability. Both DOD Directive 5210.36 and the DASP set forth a policy of providing support to non-DOD agencies if it will not interfere with, or impede, the performance of the missions and functions assigned to DOD. Thus, the impact of this requested support on the Army should be carefully evaluated.

740

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c. (S) It is not clear from the supporting memoranda whether [redacted] still contemplates transferring radar systems that were previously identified as Iranian assets pending settlement of claims by the U.S. - Iranian Claims Tribunal. Any such proposed transfer should be reviewed by OSD. This would be treated as a separate request for end items, rather than repair parts.

(U) I am concerned that it was deemed necessary to handle both the original and additional requests through other than the established [redacted] System and to exclude both OTJAG and my office from the review process. Due to his attendance at the JAG Conference, MG Overholt has not yet had an opportunity to review this matter, but I am confident that he would concur in my view that sensitive programs should be given proper legal review before the Army leadership is committed to their support.

Susan J Crawford

Susan J. Crawford
General Counsel

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under provisions of E.O. 12356
by B. Reger, National Security Council

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EXHIBIT CWW-27

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[redacted] WHITE HOUSE SITUATION ROOM PAGE 01

N 12439

EXHIBIT
CWW-27

Z 05[redacted] NOV 86
FM THE WHITE HOUSE

TO [redacted]
TEM

~~TOP SECRET~~ VIA PRIVACY CHANNELS EYES ONLY WHOC652

EYES ONLY FOR SECRETARY GEORGE SHULTZ FROM ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS JOHN POINDEXTER

SUBJ: U.S. POLICY ON IRAN (TS)

REF: SECTO 23003

1. ~~TOP SECRET~~--ENTIRE TEXT

2. BEGIN TEXT.

DEAR GEORGE:

1. THANK YOU FOR PROVIDING ME WITH YOUR PERSPECTIVE ON OUR PROBLEMS WITH IRAN. I SHARE YOUR DESIRE TO FIND A WAY TO PREVENT FURTHER SPECULATION AND LEAKS ABOUT U.S. POLICY ON IRAN. NOT ONLY WILL SUCH COMPLICATE OUR EFFORTS TO SECURE THE RELEASE OF OTHER HOSTAGES, BUT MAY ALSO UNDERMINE OPPORTUNITIES FOR EVENTUALLY ESTABLISHING A CORRECT RELATIONSHIP WITH IRAN AND POSSIBILITIES FOR AN ACTIVE U.S. ROLE IN ENDING THE IRAN-IRAQ WAR.

THE WHITE HOUSE C652 DTG:05[redacted] NOV 86 PSN: 076229
TOR: 309/2219Z

T O P S E C R E T

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under provisions of E.O. 12356
By B. Reger, National Security Council

2213

********T O P   S E C R E T******** [illegible]

DATE 12/06/85   WHITE HOUSE SITUATION ROOM   PAGE 02

MESSAGE (CONTINUED):

2. AT SOME POINT WE WILL HAVE TO LAY OUT ALL OF THE FACTS. I AM CONVINCED WHEN WE DO LAY OUT THE FACTS THAT IT WILL BE WELL RECEIVED SINCE IT IS A GOOD STORY. HAVING SAID THAT, I DO NOT BELIEVE THAT NOW IS THE TIME TO GIVE THE FACTS TO THE PUBLIC. THERE ARE SEVERAL FACTORS TO CONSIDER IN ADDITION TO THE NEED TO GET THE OTHER HOSTAGES OUT AND THEN BRIEF THE INTELLIGENCE COMMITTEES BEFORE THE ADMINISTRATION SPEAKS PUBLICLY ON THIS MATTER: FIRST, WHILE WE ARE NOT COMPLETELY SURE WHAT PROVOKED RAFSANJANI TO MAKE THESE RELEVATIONS (WHICH ARE NOT TOTALLY ACCURATE), IT IS APPARENT THAT A POWER STRUGGLE OF SOME SORT IS UNDERWAY IN IRAN. THIS STRUGGLE COULD PROMPT OTHER IRANIAN OFFICIALS TO MAKE ADDITIONAL RELEVATIONS. DISCLOSURES BY THE U.S. COULD LEAD TO CONTRADICTORY IRANIAN STATEMENTS AND MISINTERPRETATION OVER OUR ATTITUDES AND INTENTIONS. SECOND, WE MAY HAVE AN OPPORTUNITY TO AFFECT THE INTERNAL POLITICAL SITUATION IN TEHRAN AND TAKE ADVANTAGE OF IT TO ADVANCE OUR REGIONAL AND ANTI-TERRORIST INTERESTS. HOWEVER, OFFICIAL STATEMENTS BY THE U.S. WILL ONLY PLAY INTO THE HANDS OF RADICAL IRANIANS WHO CONTINUE TO WANT TO DISTANCE IRAN FROM THE U.S. AND THE WEST TO THE MAXIMUM EXTENT POSSIBLE.

3. I THEREFORE REMAIN CONVINCED THAT WE MUST REMAIN ABSOLUTELY CLOSE-MOUTHED WHILE STRESSING THAT OUR "BASIC POLICY TOWARD IRAN, THE GULF WAR, AND DEALING WITH TERRORISTS HAS NOT CHANGED. MOREOVER, SPECULATION ABOUT OUR EFFORTS TO SECURE THE HOSTAGES RELEASE ONLY INCREASES THE DANGER TO THE HOSTAGES."

4. TODAY I HAVE TALKED WITH VP, CAP AND BILL CASEY. THEY AGREE WITH MY APPROACH.

5. I HAVE ASKED MY STAFF TO PREPARE A CABLE TO RELEVANT POSTS EXPLAINING OUR POLICY IN THE IRAN-IRAQ WAR HAS NOT CHANGED AND WE ARE NOT GOING TO COMMENT ON NEWS REPORTS AND SPECULATION BECAUSE OF THE DANGER TO HOSTAGES. WE WILL SEND THE DRAFT OVER TO STATE.

6. TODAY I AM ESTABLISHING TWO COMPARTMENTS. ONE IS OPERATIONAL AND I AM WILLING TO BRIEF JERRY BREMER INTO IT PROVIDING HE REPORTS ONLY TO YOU. THE SECOND IS ON POLICY AND LONG TERM STRATEGY TOWARD IRAN. I WOULD LIKE TO INCLUDE ONLY

THE WHITE HOUSE 0652   DTG:05[redacted] NOV 86 PSN: 076029
TOR: 309/2219Z

********T O P   S E C R E T********

UNCLASSIFIED N 12441

DATE 12/06/86 WHITE HOUSE SITUATION ROOM PAGE

MESSAGE (CONTINUED):

MIKE ARMACOST AND ARNIE RAPHEL IN THIS ONE. IT IS ESSENTIAL THAT KNOWLEDGE OF EITHER COMPARTMENT BE EXTREMELY LIMITED.

7. TOMORROW I MEET WITH [redacted] AND WILL BE INTERESTED IN HIS ASSESSMENT AS TO WHAT IS HAPPENING IN TEHRAN. BY THE WAY, WE DISAGREE WITH THE INR ARTICLE IN THIS MORNING'S SUMMARY, QUOTE IRAN: THE POLITICAL POT BOILS UNQUOTE. WHEN YOU GET BACK I WILL GIVE YOU MY VIEW AS TO WHAT IS HAPPENING. I THINK IT IS VERY SIGNIFICANT THAT RAFSANJANI'S STATEMENT YESTERDAY THAT BUD WENT TO TEHRAN IN SEPTEMBER AND OTHER FACTS ARE WRONG. SINCE HE OBVIOUSLY KNOWS THE FACTS, I BELIEVE HE IS TRYING TO SEND US A MESSAGE.

8. PRESS GUIDANCE ATTACHED.

IRAN PRESS GUIDANCE

Q: ABOUT MCFARLANE OR SPARE PARTS OR ARMS TO IRAN?

A: WE HAVE NO COMMENT ON THESE REPORTS. AS LONG AS THERE ARE AMERICAN HOSTAGES BEING HELD IN THE MIDDLE EAST WE WILL NOT BE RESPONDING TO QUESTIONS LIKE THIS. A SIMPLE NO COMMENT WILL BE MADE TO ALL QUESTIONS ABOUT TALKS OR ACTIONS THAT MIGHT OR MIGHT NOT BE TAKING PLACE. YOU SHOULD INFER NOTHING TO THESE RESPONSES.

Q: DOES THE U.S. STILL HAVE AN ARMS EMBARGO AGAINST IRAN IN THE IRAN-IRAQ WAR?

A: AS LONG AS IRAN ADVOCATES THE USE OF TERRORISM, THE U.S. ARMS EMBARGO WILL CONTINUE. MOREOVER, THE U.S. POSITION ON THE IRAN-IRAQ WAR REMAINS THAT THE FIGHTING SHOULD STOP AND THE TWO SIDES SHOULD REACH A NEGOTIATED SETTLEMENT OF THEIR DISPUTE. WE FAVOR AN OUTCOME WHEREIN THERE ARE NO WINNERS OR LOSERS.

9. HOPE THE TALKS WITH [redacted] GO WELL.

WARM REGARDS, JOHN

THE WHITE HOUSE 0652 DTG:05[redacted] NOV 86 PSN: 076029
TOR: 309/2219Z

******S E C R E T******

UNCLASSIFIED

EXHIBIT CWW-28

~~SECRET/SENSITIVE~~
UNCLASSIFIED

MEMORANDUM FOR RECORD

SUBJECT: Meeting on November 10, 1986, with the President, Vice President, Secretary Shultz, DCI Casey, Attorney General Meese, Don Regan, Admiral Poindexter, and Al Keel, in the Oval Office

[redacted] The President said we did not do any trading with the enemy for our hostages. We do need to note that [redacted] (Khomeni) will be gone someday, and we want better leverage with the new government and with their military. That is why we felt it necessary to give them some small defensive weapons.

We can discuss that publicly, but no way could we ever disclose it all without getting our hostages executed. (We must make it plain that we are not doing business with terrorists. We aren't paying them or dealing with them.) We are trying to get better relations with Iran, and we can't discuss the details of this publicly without endangering the people we are working through and with in Iran . I pointed out we must bear in mind we have given the Israelies and the Iranians the opportunity to blackmail us by reporting selectively bits and pieces of the total story. I also pointed out that Congress could -and probably would -- hold legislative hearings. Admiral Poindexter pointed out that we do want a better relationship with Iran.

In ~~June~~ Jan 1986, the President apparently made a formal finding under Section 501 of the Arms Export Control Act which directes the DCI not to notify Congress until further notice, and authorizes discussion with friendly groups which are trying to get a better government in Iran. I had not knowahn of this finding before [illegible] -- Shultz said he had not known of it either. We needed to help those elements to get a more pro-U.S. government in Iran. Poindexter continued that we assisted Israel initially because we found Israel was sending arms to Iran [redacted] and also wanted the Iran-Iraq war to end as soon as possible. Admiral Poindexter said that McFarlane went to Iran in May 1986, and that was the only trip he made, and then we started working through [redacted] of Rasfanjani. Previously we had used an Israeli agent called Gorbankar. We also used many channels to try to get the hostages back. [redacted] others proved no good because the Iranians always insisted that the Dakah prisoners held by Kuwait be released. We finally did authorize the release of 500 TOWS sold by Israel to Iran, and another 500 were sent last week. This was all arranged as a result of a meeting with Rasfanjani's [redacted] came here to show that he was a legitimate representative of the government. Poindexter reported there were several meetings

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in Europe and elsewhere.

I reminded John that he had always told me that there would be no more weapons sent to Iran, after the first 500 TOWS, until after all of the hostages were returned, but unfortunatel we did send a second 500 because it "seemed the only way to get the hostages out", according to Poindexter.

Poindexter pointed out the hostage taking had stopped for a year. I pointed out that they took three more quite recently. Poindexter pointed out that this was not done by the same people or Iranians.

[redacted] publicized Rasfanjani's contacts with the U.S. Rasfanjani then felt he had to speak out against the U.S. and the McFarlane trip. Because of the obvious errors in Rasfanjani's speech, Poindexter thinks he is sending a message that he "wants to work with us." Colonel North thinks we can get two more hostages out by the weekend. I don't. (We didn't.) We have told all our friends in the Mid-East, and according to Poindexter they agree, they would like a negotiated settlement and the war to end. [redacted]

The President said this is what you had to do to reward Iran for the efforts of those who could help. Actually the captors do not benefit at all. We buy the support and the oportunity to persuade the Iranians.

I again pointed out we will have to answer many questions and have Congressional hearings. The President said we need to point out any discussion endangers our source in Iran and our plan, because we do want to get additional hostages released. Mr. Shultz spoke up for the first time, saying that it is the responsibility of the government to look after its citizens, but once you do deal for hostages, you expose everyone to future capture. He said we don't know, but we have to assume the captors will get someone. He said he felt the Isralies sucked us up into their operation so we could not object to their sales to Iran. He pointed out there will be a lot of questions after any statement, even after a statement such as Mr. Casey proposed to read. The President said we should release the statement, but not take any questions. Mr. Regan said we are being hung out to dry, our credibility is at stake, and we have to say enough. Shortly thereafter the meeting adjourned on the note that revised drafts of the Casey proposed statement will be sent to us.

EXHIBIT CWW-29

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11 3

11/10

Cap, Shultz, Regan, Pres, VP, Poindexter, Keel, Casey

N 10578

Pres: - need stmt (all of us)
- ① no bargaining w/ terrorists
(no ransom for terrorists)
② Also, international foreign interest
(hope for moderate gov't)
-- what happens after the Ayatollah
(we can't talk about)

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JMP: - Main consideration long term strategic relationship
① support moderates
② stop terrorism
③ release hostages
- Read finding (not all of you have seen
- Initially [illegible] used Israeli chan
-- found welcome in [redacted]
Cobj. [redacted]
also, said want moderate Iran,
also want want to keep war go-
(keeps off their back)
- May 1986 (Bud's trip to Tehran
Iran: -- Channel's initially [redacted]
-- now Rafsanjani
-- "cannot solve problem"
Hostages: - Lebanon
- [redacted]
- [illegible]

Jan 17, 1986

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AK-
1/21/87
Jill

EXHIBIT CWW-[illegible]

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② UNCLASSIFIED

o Bud went May 1986 (only trip) N 1C.3
-- [illegible] sold 1000 TOWs
-- sold = 240 types of Hawk p:
① 1st 500 TOW's went w/o permission
-- we found out, eventually re-imburse Israel

Ed: - We didn't sell (Israel sold)
- was multi-phased transaction

JMP: - Important to note:
-- defensive arms
-- small amount
-- my opinion, was a show of good faith

: Results:
-- after Weir, Jenko, Anderson, South has no more hostages (for
-- solid contact w/ Rafsanjani
-- convinced of Soviet threat / Communist can't win war
-- ~~xx~~ accept Resolution
-- downplayed anti terrorism
-- gotten three hostages back

Sit'n today:
-- three factions

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N 1038

-- Concerned interested in ending war

[redacted]

-- Third group is radical: Khomeini

[redacted]

([redacted] who —

players, but associate in [redacted]

[redacted]: primary contact w/ [redacted]

: contact w/ group that took

three most active Terrorists

-- Rafsanjani [illegible]: [illegible] w/ the [illegible]

-- [redacted] published pamphlet
revealed in pro-Syrian magazine

-- Rafsanjani forced to speak-out:
  -- purposely told inaccuracies

-- Raf: pleas to end [illegible]
  :-- wants strategic relationship

-- 200 ~~[illegible]~~ ahead

(OLN just told; knows ours was w/ Casey group; says might get two more hostages out by week-end)

JMP: Relationships ....

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N 103

[redacted]

Raymond: CPPG - long term strategy
(want to get agencies ica

Craig: contacted Senate members
-- all ok except Byrd

CAP: - called Nimr today
- not helpful : JCS post Nagle
: this ile

~~CAP~~:

Shultz: - how did ~~we~~ last 500 come a
- who arranged?

JMP: - Casey's guy, my guy in Oct

CAP: I thought we'd agreed no more a
first 500, unless got all capt

JMP: just among us with Pres, he
agreed to go ahead.

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N 10382

Meese: -- who's holding?
JMP/Casey: - Lebanon
Meese: important not Iran, so not deal w/ terrorists, trading for hostages
Shultz: - careful ~~[illegible]~~ how we say
- ~~[illegible]~~ remember Bud's elaborate scheme: hostages to go here, if this, then
(from my [illegible] viewpoint of info)
- seldom is secure
Meese: had same as Daniloff / Zakharov
-- obviously related but not traded

Pres: -- we were ~~[illegible]~~ getting influence of Iran not ransom

Shultz: -- not sure what's diff
-- one good part of story, e.g., w/ act in actual rel w/ Iran
-- can't - higher than what JMP sd
-- have to be careful how say; we've said something that's technically correct but not exactly representation of what we've done
CAP: - Concern re how much we've tied Rafsanjani
- how much, we give our basis for [illegible] [illegible] Rafsanjani [illegible] w/ us.

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N 10323

Casey: - Need stand on our objectives
- - has been strategic opp. to improve
prospects for moderate gov't
- Proposed statement:

CAP: ① Anticipate questions
② Cong. hearings

Pres: - agree / rumors has endangered
what we're doing
- endangered our contacts
- on evidence, - bad man not in Iran -
- not time to deal with
rumors
- purpose of gov't - to get
on with support

- can't do Q&A (because of danger)
- [illegible] we staying, leave
-

Shultz: - agree w/ purpose of gov't to protect
citizens; but whole purpose is
to protect (& discourage)
terrorism
: ① concern that juxtaposition does
appear quid pro quo for hostages
② concern regard agreement

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N 10384

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Italy and feel that Iranian mechanism
— is so they could get what they want
(more [illegible])

③ Re [redacted] they noted - particularly
that Iran was strategic prize (

Good statement, but must be careful.

CAP: ① emphasizing that relationship is
important (people at risk)
JMP: ① if we go w/ this, end of our relationship
Pres: - we don't talk TOW's, don't talk
specifics
- because of nature, no Q&A's —

Regan: ① will need to say something
to thinking people (not press)

Pres: ① Basic thread has to come out
.. not paying ransom
(not negotiating)
(not dealing w/ kidnappers/terrorists
.. with overall policy
(avoid specifics, declare
consistent w/ our policy
without engaging in speculation.

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N 10385

JMP: worry about what they not doing – what ~~point~~ we are doing.

CAP: - here – mind might get repudiation from [illegible]

Meese: - get away from idea people were exposed; [illegible]

VP: ① What about Israeli [illegible]

Pres: ① told pri. dem. cong leadership; .. tell them we would take a chance
: ② aimed at people

Regan: ① Who will issue Q&A's

Meese/Pres./Casey: ① no Q&A's

Shultz: - what about anti terrorist group (state of total demoralization)

Pres: say no; to dickering w/ terrorists

Shultz: - do we trade any more arms for hostages

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N 10386

Pres. - appreciate people saying you support
– ~~[illegible]~~ policy

- will not comment on

[illegible]: agreed

[illegible] I support you. [illegible]

Pres: - always viewed as giving muscle to stand in [illegible] [illegible] as can help in

SMP: "aware of project", were consulted

[illegible] - put in strong

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EXHIBIT CWW-30

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<HEADER>
\MSG FROM: NSPST --CPUA 11/24/86 20:0
To: NSOLN --CPUA

N 19121

NOTE FROM: PAUL THOMPSON
<SUBJECT>
SUBJECT: findingon Iran
<TEXT>
jmp would like to have the finding sent out to the principals involved in the instant national security decision(VP, Shultz, Weinberger, Casey, Meese, Regan) via the [redacted] channel.

cc: NSPLE --CPUA NSCPC --CPUA
NSAGF --CPUA ALTON G. KEEL NSRBM --CPUA

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findingon Iran

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EXHIBIT
CWW-30

Exhibit CWW-31

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11/20/86 1300
(Historical Chronology)

[illegible]

U.S./IRANIAN CONTACTS AND THE AMERICAN HOSTAGES

From the earliest months following the Islamic revolution in Iran, the U.S. Government has attempted to reestablish official contact with that government in order to discuss strategic developments in this critical part of the world and reconstruct a working relationship. Even before President Reagan came to office the U.S. Government agreed to try to expand security, economic, political, and intelligence relationships at a pace acceptable to Tehran. In the fall of 1979, the U.S. undertook three secret missions to Tehran:

-- September 1979 - [redacted] (met secretly with Bazargan at the request of the Iranians)

-- October 1979 - [redacted]

-- October-November 1979 - [redacted] (discussed normalization of relations)

When these meetings and the secret November 1, 1979 meeting in Algiers, between Brzezinski and Prime Minister Bazargan, became public in Iran, they helped precipitate the takeover of the U.S. Embassy by radical elements and led to the resignation of the Bazargan government. These events have adversely influenced Iran's subsequent willingness to engage in any direct contact with the USG.

Despite mutual difficulties involved in re-establishing normal relations, our strategic interests in the Persian Gulf mandate persistent efforts to establish a dialogue. In this regard, it is notable that only a few major countries do not have relations with Iran -- Egypt, Jordan, Morocco, Israel, South Africa, and the United States. Even Iraq continues to have diplomatic relations with Iran.

Iran is the key to a region of vital importance to the West, yet it is increasingly threatened by growing Soviet military power and political influence along its borders and inside its territory. Over the course of the last two years, the Soviets and their surrogates have moved actively to gain greater influence in the Gulf:

-- The Soviets believe that once Khomeini dies, they will have an excellent opportunity to influence the formation of a government in Tehran that serves Soviet strategic interests in the area.

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(1259)

-- Communist nations have become the principal arms suppliers to Iran -- making Iran dependent on this source of supply in contending with an increasingly strengthened Iraq. This leads us to the conclusion that the Soviets may well be attempting to pursue their own revolution in Iran. That is, by fueling both sides in the conflict, the Soviets could well encourage a disastrous "final offensive" by Iran that would precipitate a political disintegration in Iran, leaving a power vacuum which the Soviets could exploit. Specifically, the indicators of Communist influence in Iran are:

[redacted]

The increasing desperation brought on by the costs of the Iran-Iraq war has exacerbated Iran's vulnerability to Soviet influence. Moreover, Soviet designs in Afghanistan, pressure on Pakistan, and actual crossborder strikes in Iran from Afghanistan have made reopening a strategic dialogue increasingly important.

In short, the Soviets were far better positioned to improve significantly their influence in the region in 1985 when we were presented with an opportunity to open a dialogue with Iran. In deciding to exploit this opening, we evaluated previous efforts through more conventional channels which had not succeeded.

About two years ago, senior Iranian officials apparently decided that some accommodation with the U.S. was necessary. Since 1983, various countries have been engaged in overtures to the U.S. and Iran in an effort to stimulate direct contact [redacted] However, internal splits and debates made it difficult for the Iranians to respond to these overtures.

Numerous individuals and private parties have likewise attempted to be helpful as intermediaries in establishing contact in Iran or in seeking Iranian assistance in the release of our citizens held hostage in Lebanon. [redacted]

In the spring of 1985, a private American citizen (Michael Ledeen) learned from an Israeli government official (David Kimche) that the Israelis had established a liaison relationship with an Iranian expatriate (Manuchehr Ghorbanifar) in Europe who sought Israeli help in establishing contact with the U.S. Government. In acknowledging the need to demonstrate the bonafides of the Iranian officials involved, he (Ghorbanifar) indicated that his "sponsors" in Tehran could also help to resolve the American hostage situation in Beirut.

In June of 1985, in the midst of the TWA-847 hijacking, the Israeli officials in direct contact with the Iranian expatriate asked him to use his influence with senior Iranian officials to obtain the release of the hijacked passengers. Two days after this approach, four Americans held separately from the rest of the hijacked passengers were freed and turned over to Syrian authorities. [redacted] Majlis Speaker Rafsanjani, who was travelling in the mid-east at the time, and Iranian Foreign Minister Velayati both intervened with the captors. Rafsanjani, in his speech on November 4, 1986, for the first time publicly acknowledged his role in this matter.

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On July 1, 1985, during a visit to Washington, an Israeli official (Kimche) advised National Security Advisor, Robert McFarlane, that Israel had established a channel of communication with authoritative elements in Iran who were interested in determining whether the United States was open to a discreet, high-level dialogue. The Iranians were described as comprising the principal figures of the government (i.e., Speaker of the Majlis Rafsanjani, Prime Minister Musavi, and Khomeini's heir-apparent, Ayatollah Montazeri) and as being devoted to a reorientation of Iranian policy.

At this first meeting, McFarlane went to great length to draw out the Israeli as to why he found the Iranian proposal credible, given the events of the past six years. The Israeli replied that their exhaustive analysis had gone beyond the surface logic deriving from the chaos and decline within Iran and the degenerative effects of the war, to more concrete tests of the willingness of the Iranians to take personal risks. He noted that the Iranians had exposed themselves to possible compromise by meeting with Israelis and by passing extremely sensitive intelligence on the situation (and political lin[illegible] within Iran -- information which was proven valid.

The Israeli asked ~~for our position on opening such a~~ dialogue. No mention was made of any pre-conditions or Iranian priorities. McFarlane conveyed this proposal to the President (in the presence of the Chief of Staff). The President said that he believed such a dialogue would be worthwhile at least to the point of determining the validity of the interlocutors. This decision was passed to the Israeli diplomat by telephone on July 30.

On August 2, 1985, the Israeli called again on McFarlane. At this meeting, he stated that he had conveyed our position to the Iranian intermediary and that the Iranians had responded that they recognized the need for both sides to have tangible evidence of the bona fides of the other and that they believed they could affect the release of the Americans held hostage in Lebanon.

According to the Israeli, the Iranians separately stated that they were vulnerable as a group and before having any prospect of being able to affect change within Iran they would need to be substantially strengthened. To do so, they would need to secure the cooperation of military and/or Revolutionary Guard leaders. Toward this end, they expressed the view that the most credible demonstration of their influence and abilities would be to secure limited amounts of U.S. equipment. The Israeli asked for our position on such actions.

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Mr. McFarlane elevated this proposition to the President at a meeting within days that included the Secretaries of State and Defense and the Director of Central Intelligence. The President stated that, while he could understand that assuming the legitimacy of the interlocutors, they would be quite vulnerable and ultimately might deserve our support to include tangible materiel; at the time, without any first hand experience in dealing with them, he could not authorize any transfers of military materiel. This was conveyed to the Israeli.

On August 22, 1985, the Israeli diplomat called once more to report that the message had been conveyed and that an impasse of confidence existed. He asked what the position of the U.S. Government would be to an Israeli transfer of modest quantities of defensive military materiel. McFarlane replied that to him, such an action would represent a distinction without a difference. The Israeli diplomat explained at great length that Israel had its own policy interests that would be served by fostering such a dialogue in behalf of the U.S., but that a problem would arise when ultimately they needed to replace items shipped. He asked whether Israel would be able to purchase replacements for items they chose to ship. McFarlane stated that the issue was not the ability of Israel to purchase military equipment from the U.S. -- they had done so for a generation and would [illegible] in the future -- but rather the issue was whether it was U.S. policy to ship or allow others to ship military equipment to Iran. The Israeli asked for a position from our government. McFarlane elevated the question to the President (and to the Secretaries of State and Defense and the Director of Central Intelligence). The President stated that, while he could envision providing materiel support to moderate elements in Iran if all the Western hostages were freed, he could not approve any transfer of military materiel at that time. This position was conveyed to the Israeli diplomat.

On September 14, 1985, Reverend Benjamin Weir was released in Beirut by the Islamic Jihad Organization. This release was preceded by an intense effort on the part of Mr. Terry Waite, the Special Emissary of the Archbishop of Canterbury. To this date, Mr. Waite remains the only Westerner to ever meet directly with the Lebanese kidnappers. [redacted]

In late September, we learned that the Israelis had transferred 508 TOW missiles to Iran and that this shipment had taken place in late August. The Israelis told us that they undertook the action, despite our objections, because they believed it to be in their strategic interests. The Israelis managed this entire operation, to include delivery arrangements, funding, and transportation. After discussing this matter with the President, it was decided not to expose this Israeli delivery because we

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wanted to retain the option of exploiting the existing Israeli channel with Tehran in our own effort to establish a strategic dialogue with the Iranian government. The total value of the 508 TOWs shipped by Israel was estimated to be less than $2 million.

On October 4, 1985, Islamic Jihad announced that it had "executed" Beirut Station Chief William Buckley in retaliation for the October 1 Israeli air raid on PLO installations in Tunis. This announcement led to a series of meetings in Europe among the U.S. (CIA and NSC), Israeli, and Iranian intermediaries. In these meetings, the Iranians indicated that, while their ability to influence the Hizballah was waning, the Hizballah had not killed Buckley; he had in fact died several months earlier of natural causes. We have since substantiated this information in debriefs of Father Jenco and David Jacobsen, both of whom indicate that Buckley probably died on June 3, 1985 of pneumonia-like symptoms.

HAWKS In mid-November, the Israelis through a senior officer in the Prime Minister's office (Amiram Nir), indicated that the Government of Israel was convinced that they were nearing a breakthrough with Iran on a high-level dialogue. The Israeli asked a U.S. official (North) for the name of a European-based airline which could discreetly transit to Iran for the purpose of delivering passengers and cargo. We were assured, at the time, that the Israelis were going to "try oil drilling parts as an incentive," since we had expressed so much displeasure over the earlier TOW shipment. The name of the proprietary [redacted] was passed to the Israeli, who subsequently had the aircraft chartered through normal commercial contract for a flight from Tel Aviv to Tabriz, Iran, on November 25, 1985. In January, we — who learned that the Israelis, responding to urgent entreaties from the Iranians, used the aircraft to transport 18 HAWK missiles to Iran in an effort to improve the static air defenses around Tehran. The Israelis were unwitting of the CIA's involvement in the airline and the airline was paid at the normal commercial rate (approximately $127,700). The airline personel were also unwitting of the cargo they carried. Pilot knew.

how?

The Israeli delivery of HAWK missiles raised serious U.S. concerns that these deliveries were jeopardizing our objective of arranging a direct meeting with high-level Iranian officials. As a consequence of U.S. initiative and by mutual agreement of all three parties, these missiles were subsequently returned to Israel in February 1986. by whom

On December 7, the President convened a meeting in the White House (residence) to discuss next steps in our efforts to establish direct contact with the Iranians. Attending the

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meeting were the Chief of Staff, Secretaries of State and Defense, the Deputy Director of Central Intelligence, and the Assistant to the President for National Security Affairs and his Deputy. Immediately after the meeting, Mr. McFarlane departed for London to meet with the Israeli official and the Iranian contact to make clear the nature of our interest in a dialogue with Iran. At this meeting, Mr. McFarlane, as instructed by the President, stated that:

-- the U.S. was open to a political dialogue with Iran, but that no such dialogue could make progress for as long as groups seen as dominated by Iran held U.S. hostages; and

-- the U.S. could under no circumstances transfer arms to Iran in exchange for hostages.

These points were made directly to the Iranian interlocutor. The Iranian replied that, unless his associates in Tehran were strengthened, they could not risk going ahead with the dialogue. Mr. McFarlane acknowledged the position but stated we could not change our position. In a separate meeting with the Israeli official, Mr. McFarlane made clear our strong objections to the Israeli shipment of the TOW missiles. Following these meetings, Mr. McFarlane returned to Washington and shortly thereafter left active government service.

On January 2, the Prime Minister of Israel dispatched a special emissary to the U.S. (Amiram Nir) to review proposals for next steps in dealing with Iran. The Israelis urged that we reconsider the issue of providing limited defensive arms to those attempting to take power in Tehran, since all other incentives (economic assistance, medical supplies, machine parts) were of no value in shoring-up those who wanted an opening to the West. Admiral Poindexter noted our stringent objections to the HAWK missile shipments in November and noted that the U.S. would have to act to have them returned (a step undertaken in February, when all 18 missiles were returned to Israel). In that any implementation of the Israeli proposals would require the active participation of the intelligence community, the NSC Staff (North) was tasked to prepare a covert action finding. Work on this Presidential finding commenced on January 4.

Hawk

On January 6, the President, the Vice President, the Chief of Staff, and the National Security Advisor and his assistant reviewed the first draft of the Finding and the recommendations made by the Prime Minister of Israel through his special emissary.

On January 7, the President met in the Oval Office with the Vice President, the Chief of Staff, Secretaries Shultz and Weinberger, Attorney General Meese, Director Casey, and the National Security

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Advisor to discuss the overall situation in Iran and prospects for a strategic dialogue. It was again noted that Mr. McFarlane, on return from his trip to London, had recommended that no further action be taken unless a mechanism could be established by which the U.S. could exert better control over events. He agreed, in principle, with Director Casey that providing limited quantities of defensive arms after the hostages were released still had merit. Both Secretary Shultz and Secretary Weinberger objected to any provision of arms, citing that we could not be sure that these would really help moderate elements and that, if exposed, the project would not be understood by moderate Arabs and would be seen as contravening our policy of not dealing with states that support terrorism. The President decided that we should attempt to keep the Israeli channel active as long as it offered possibilities for meetings with high-level Iranian officials and left open the issue of providing defensive arms to Iran if all the hostages were released.

It was further determined by the President that any dialogue with the Iranians must be aimed at achieving the following goals:

-- Devising a formula for re-establishing a strategic relationship with Tehran.

- Ending the Iran-Iraq War on honorable terms.

- Convincing Iran to cease its support for terrorism and radical subversion.

- Helping ensure the territorial integrity of Iran and coordinating ways in which we might counter Soviet activities in the region.

The President made clear that a Western dialogue with Iran would be precluded unless Iran were willing to use its influence to achieve the release of Western hostages in Beirut. He also made clear that we could not and would not engage in trading arms for hostages. Secretaries Shultz and Weinberger retained their original position on providing any amrs to Iran, but Attorney General Meese and Director Casey both supported the concept as a valid means of opening the dialogue. Attorney General Meese noted a 1981 determination by then Attorney General French Smith that transferring small quantities of arms through third countries under a Covert Action Finding was not illegal.

[redacted]

[redacted]

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On January 16, a meeting was held in the National Security Advisor's office with Secretary Weinberger, Attorney General Meese, Director Casey, and CIA General Counsel Stanley Sporkin. At this meeting, the final draft of the Covert Action Finding was reviewed and was forwarded to the President with Secretary Weinberger dissenting.

On January 17, 1986, the President approved a Covert Action Finding (Tab A) directing that the intelligence community proceed with special activities aimed at accomplishing the goals set forth above. The President futher determined that the activities authorized by the Finding justified withholding prior Congressional notification due to the extreme sensitivity of the dialogue being established. He further noted that public knowledge of the program would place the American hostages in Lebanon at greater risk. Noting his concern for the lives of those carrying out the operation (both U.S. and foreign), he directed that the Director of Central Intelligence refrain from reporting the Finding to the appropriate committees of the Congress until reasonably sure that those involved would no longer be in jeopardy.

On February 5-7, U.S. officials (NSC and CIA [redacted], a representative of the Israeli Prime Minister (Amiram Nir), and a senior-level Iranian official [redacted] met in London. At this meeting, the Iranians agreed that, if the USG would provide defensive weapons (TOWs) to Iran, they would, in turn, provide same to the Afghan Mujahideen. The U.S. side agreed to explore this possibility and, working with the Israelis, established the following mechanism for transfer of the weapons:

-- The Iranian intermediary (Ghorbanifar) would deposit funds in an Israeli account.

-- The Israelis would transfer funds to a sterile U.S.-controlled account in an overseas bank.

-- Using these funds, the CIA would covertly obtain materiel authorized for transfer from U.S. military stocks and transport this to Israel for onward movement to Iran.

Using the procedures stipulated above, $3.7 million was deposited in the CIA account in Geneva on February 11, 1986 and on February 14, 1,000 TOWs were transported to Israel for pre-positioning. These TOWs were transferred by CIA from DOD (U.S. Army stocks in Anniston, Alabama) and transported through [redacted] using standard CIA-DOD [redacted] logistics arrangements. Policy-level coordination for these arrangements was effected by NSC (North) with DOD (Armitage) and CIA (Clair George). The TOWs were placed in a covert Israeli facility awaiting onward shipment.

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On February 19-21, U.S. (NSC and CIA), Israeli and Iranian officials met in Germany to discuss problems in arranging a meeting among higher-level officials. At this meeting, the Iranians committed [redacted] After coded authorization was received from Washington, the U.S. side agreed to provide 1,000 TOWs to Iran as a clear signal of U.S. sincerity. This delivery was commenced on the morning of February 20 and completed in two transits to Tehran on February 21. Transportation from Israel to Iran was aboard a false flag Israeli aircraft.

[redacted]

On February 24, U.S. (CIA and NSC) officials met again in Frankfurt with the Israeli and Iranian officials to discuss next steps. At this meeting, the U.S. side urged that the Iranians expedite a meeting among higher-level officials on both sides.

On February 28, the Prime Minister of Israel wrote to President Reagan (Tab B) urging continued efforts to achieve a strategic breakthrough with Iran, but asking consideration for the safety of recently seized Israeli hostages.

On March 7, U.S. (CIA and NSC) and Israeli representatives met with the Iranian intermediary in Paris to determine whether any further progress was possible in arranging for a high-level meeting with U.S. and Iranian officials. During these meetings, the intermediary emphasized the deteriorating economic situation in Iran and Iranian anxieties regarding increasing Iraqi military effectiveness.

The escalation of tensions with Libya, leading up to the April 14 strike, prevented further dialogue from taking place until the Iranians urged the intermediary (Ghorbanifar) to accelerate the effort in late April, 1986. At that point, the Iranian expatriate advised us through the Israeli point-of-contact that the leadership in Tehran was prepared to commence a secret dialogue

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with the United States along the lines of our established goals. We believe that the Iranians were stimulated to renew the contact by the April 17 murder of hostage Peter Kilburn [redacted] in retaliation for the U.S. raid on Libya.

[redacted]

The Iranian expatriate told the NSC and CIA officers, who met with him in Europe at the end of April, that the Iranians did not wish to be accused of any culpability in Kilburn's death.

[redacted]

On May 6, 7, 1986, U.S. and Israeli officers met in London with the Iranian intermediary in which he urged that we take immediate steps to arrange for a high-level U.S./Iranian meeting in Tehran. During the London meeting, the Iranian urged that we (U.S. and Israel) take immediate steps to help with Iranian air defense. He emphasized that the Iraqi Air Force was increasingly effective of late and that the Iranians were desperate to stop attacks on population centers. The Israelis also used this opportunity to privately ask the U.S. to replace the 508 TOWs which they had sent to Iran in August, 1985. The Israelis were informed via coded message on May 15 that the U.S. had agreed to the Iranian request for limited anti-air defense equipment and to replenish the 508 TOWs sent by Israel.

Based on assurances that we could at last meet face-to-face with top-level Iranian officials, on May 15, the President authorized a secret mission to Tehran by former National Security Advisor McFarlane, accompanied by a CIA annuitant, CIA communicators, members of the NSC staff, and the Israeli and Iranian interlocutors.

On May 16, the Iranians, through the Israelis provided $6.5M for deposit in the CIA secure funding mechanism. The funds were used to acquire 508 TOW missiles (for replenishing the TOWs Israel shipped in September 1985) and acquiring HAWK missile electronic spare parts. This material was subsequently moved to [redacted] repackaged and shipped to Kelly AFB for onward movement to Israel on May 22. As in the February shipment, the CIA provided logistics support for the movement of this materiel to Israel.

In order to ensure operational security, the McFarlane trip was made from Israel, coincident with the delivery of a pallet of spare parts for Iranian defensive weapons systems (HAWK spare electronic parts). At the specific request of the Iranians, alias foreign documentation [redacted] -- obtained from the CIA -- was used. CIA also provided covert transportation support from CONUS to Israel for the McFarlane party. The group was transported from Israel to Tehran aboard an Israeli Air Force 707 with false flag markings.

In the course of the four-day (May 25-29) visit, lengthy meetings were held with high-level Iranian officials, the first direct contact between the two governments in over six years. Mr. McFarlane and his team were able to establish the basis for a continuing relationship and clearly articulate our objectives, concerns, and intentions. The group was also able to assess first hand the internal political dynamic in Tehran and the effect of the war which Iran clearly can no longer win. Using Presidentially approved Terms of Reference (Tab B), which had been reviewed and approved by appropriate Cabinet officers, McFarlane emphasized that our interest in Iran transcended the hostages, but the continued detention of hostages by a Lebanese group philosophically aligned with Iran prevented progress. During the visit, Mr. McFarlane made clear:

-- that we fundamentally opposed Iranian efforts to expel us from the Middle East

-- that we firmly opposed their use of terrorism;

-- that we accepted their revolution and did not seek to reverse it;

-- that we had numerous other disagreements involving regional policies (i.e., Lebanon, Nicaragua, etc.), but might also find areas of common interest (i.e., Afghanistan and the Soviet threat to the Gulf) through dialogue.

During these meetings, both sides used the opportunity to detail the obstacles to implementing a strategic relationship between the two countries. In addition to the points noted above, Mr. McFarlane emphasized the political problems caused by Iranian involvement in the hostage issue. The Iranians objected to the USG embargo on U.S. military supplies already paid for plus the continued USG blocking of Iranian assets in the U.S., even after U.S. courts had ruled in their favor. During the course of these meetings, the Iranian officials admitted that they could not win the war, but were in a dilemma in Tehran over how to end the conflict given the need to present an Iranian "victory" before it could be concluded. They emphasized that the original aggressor, Saddam Hussein, must be removed from power in order for the war to end. Mr. McFarlane concluded the visit by summarizing that notwithstanding Iranian interest in carrying on with the dialogue, we could not proceed with further discussions in light of their unwillingness to exert the full weight of their influence to cause the release of the Western hostages in Lebanon.

On June 10, Majlis Speaker Rafsanjani, in a speech in Tehran made guarded reference to Iranian interest in improved relations with the U.S. On July 26, Father Lawrence Jenco was released in the Bekka Valley and found his way to a Syrian military checkpoint.

On August 3, the remaining three pallets (less than ½ planeload) of electronic parts for Iranian anti-aircraft defenses (HAWK missile sub-components) arrived in Tehran. As in all flights to/from Iran this delivery was made with an Israeli Air Force aircraft (707) using false flag markings. Timing of the delivery was based on coordination among U.S., Israeli and Iranian officials.

In early August 1986, the contact with the Iranian expatriate began to focus exclusively on the willingness of the USG to provide military assistance to Iran in exchange for hostages and we sought to establish different channels of communication which would lead us more directly to pragmatic and moderate elements in the Iranian hierarachy. In mid-August, a private American citizen (MGEN Richard Secord, USAF [Ret.]) acting within the purview of the January Covert Action Finding, made contact in Europe with [redacted] a relative [redacted] of a senior Iranian official (Rafsanjani). With the assistance of the CIA, this Iranian [redacted] was brought covertly to Washington for detailed discussions. We judged this effort to be useful in establishing contact with a close confidant of the man judged to be the most influential and pragmatic political figure in Iran (Rafsanjani). These discussions reaffirmed the basic objectives of the U.S. in seeking a political dialogue with Tehran. We also provided assessments designed to discourage an Iranian offensive and contribute to an Iranian decision to negotiate an end to the war. The assessments also detailed the Soviet threat to Iran.

Through August, September, and October 1986, numerous additional meetings were held in Europe between U.S. representatives and the new Iranian contacts. During the October 26, 1986 meeting in Frankfurt, Germany, the U.S. side, as in the past, insisted that the release of the hostages was a pre-requisite to any progress. The Iranian, [redacted] urged that we take a more active role in support for the Afghan resistance [redacted]

The Iranians also proffered, and the U.S. accepted, the offer of a Soviet T-72 tank [redacted] The Iranians have also offered to provide a copy of the 400 page interrogation of Beirut Station Chief William Buckley. At this meeting [redacted] stated that there was a "very good chance that another American or two would be freed soon." On October 29, with U.S. acquiescence, Israel provided Iran with an additional increment of defensive weapons (500 TOW missiles).

Late on October 31, [redacted] called the U.S. citizen (Hakim) tasked to maintain contact and advised that Iran had "exercised its influence with the Lebanese" in order to obtain the release of an American -- David Jacobsen -- and an uncertain number of French hostages. He further noted that this would be part of the purpose of the Iranian Foreign Minister's visit to Syria -- an event we became aware of on November 1, 1986. [redacted] stated that the situation in Tehran, as well as Iranian influence over Hizballah were both deteriorating [redacted] On November 2, David Jacobsen was released by his captors near the old American Embassy compound in West Beirut. The U.S. Embassy in East Beirut immediately dispatched an embassy officer to West Beirut to pick up Mr. Jacobsen.

It is now apparent that persistent U.S. efforts to establish contact with Iran and subsequent public speculation regarding these contacts have probably exacerbated the power struggle in Iran between pragmatic elements (led by Rafsanjani) and more radical factions (under the overall sponsorship of Ayatollah Montazeri). In late October, radical supporters (of Montazeri) revealed the (Rafsanjani) contact with the USG and the terms of the contact. In order to defend himself against charges of colluding with the USG and to preserve a degree of latitude for both parties, Majlis Speaker Rafsanjani provided a purposely distorted version of the May 1986 McFarlane mission in his November 4 address to the masses. Moderate Iranian political leaders apparently now feel constrained to settle their internal political problems before proceeding with the U.S. relationship. The revelations in Tehran regarding the McFarlane mission are demonstrable evidence of the internal power struggle. The October 1986 arrest of radical leader Mehdi Hashemi, a close confidant and son in-law of Ayatollah Montezari, for acts of terrorism and treason has caused further internal conflict.

Resolution of the Lebanon hostage situation is also complicated by waning Iranian influence in Lebanon due in part to financial constraints and the fact that the Libyans are expanding their

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contacts with more radical Hizballah elements. [redacted]

On November 7, the day after a meeting with U.S. officials, Iranian government authorities arrested six other individuals involved in radical activities. Among the two were senior military officers and a Majlis deputy (Ahmad Kashani), the grandson of Ayatollah Kashani, a conspirator in the 1949 attempt against the Shah.

Despite these internal difficulties and attendant publicity in the Western media, the Iranians continue to maintain direct contact with the USG and met again in Geneva on November 9-10, with NSC and CIA representatives. [redacted] the two principal Iranian contacts continue to communicate with the U.S. [redacted] the Iranians still intend to deliver the T-72 tank [redacted] "positive statement" will be made in the near future by Rafsanjani. [redacted] Both [redacted] have warned that further disclosures could harm them personally and the longer-term interests of the two countries.

It is important to note that since the initiation of the USG contact with Iran there has been no evidence of Iranian government complicity in acts of terrorism against the U.S. We do not know who seized the last three American hostages in Beirut (Messrs. Reed, Cicippio, and Tracy). The Islamic Jihad Organization (IJO) has disclaimed responsibility -- as have our Iranian interlocutors. [redacted] It is possible that these three Americans were kidnapped at the direction of Iranian radicals

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loyal to the now imprisoned Mehdi Hashemi. If so, this could be an effort to undermine the nascent U.S.-Iranian strategic dialogue and exacerbate the internal Iranian power struggle against the pragmatic faction with which we have been in contact.

Throughout this process, the USG has acted within the limits of established policy and in compliance with all U.S. law. The shipment of 2,008 U.S. TOWs and 235 HAWK missile electronic spare parts was undertaken within the provisions of a Covert Action Finding.

During the course of this operation -- and before -- the U.S. was cognizant of only three shipments from Israel to Iran. Specifically:

-- The Israelis acknowledged the August 1985 shipment of 508 TOWs after it had taken place. Until we were advised by the Israelis, and had the information subsequently confirmed by Iranian authorities, we were unaware of the composition of the shipment. We subsequently agreed to replace these TOWs in May of 1986.

-- The November 1985 shipment of 18 Israeli HAWK missiles was not an authorized exception to policy. This shipment was retrieved in February 1986 as a consequence of U.S. intervention.

-- The October 1986 shipment of 500 TOWs from Israel to Iran was undertaken with U.S. acquiescence. These TOWs were replaced on November 7.

In support of this Finding and at the direction of the President, the CIA provided the following operational assistance:

-- CIA communications officers and an annuitant to assist in various phases of the operation.

-- Sterile overseas bank accounts for financial transactions.

-- A secure transhipment point for the dispatch of U.S. military items from the U.S.

-- Transhipment of military items from the U.S. to Israel.

-- Communications and intelligence support for the meetings with Iranian officials and the McFarlane trip to Tehran in May.

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-- Cleared meeting sites in Europe for meetings with Iranian officials.

-- Fabricated and alias documentation for U.S. and foreign officials for meetings in Europe and Tehran.

The weapons and materiel provided under this program were judged to be inadequate to alter either the balance of military power or the outcome of the war with Iraq. They have, however, demonstrated the U.S. commitment to Iranian territorial integrity and served to support those in Iran interested in opening a strategic relationship with the U.S. U.S. efforts over the last 18 months have had tangible results on Iranian policy:

-- The Rafsanjani/Velayati intervention on behalf of the TWA #847 passengers (June 1985).

-- Iranian direction that the hijacked Pan Am #73 would not be received in Iranian territory if it left Karachi.

-- [redacted]

-- The release of three American and at least two French hostages.

-- The initiation of an Iranian dialogue with their regional neighbors.

-- Continued delay in the Iranian "final offensive."

Finally, it must also be noted that the U.S. arms embargo notwithstanding, West European nations have provided $500 million a year in military equipment to Iran. Most of these transfers were accomplished with government knowledge and/or acquiescence.

All appropriate Cabinet Officers have been apprised throughout. The Congress was not briefed on the covert action Finding due to the extraordinary sensitivity of our Iranian contacts and the potential consequences for our strategic position in Southwest Asia. Finally, our efforts to achieve the release of the hostages in Lebanon must continue to rely on discreet contacts and intermediaries who cannot perform if they are revealed.

EXHIBIT CWW-31A

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THE WHITE HOUSE

WASHINGTON

The President has seen ~~[illegible]~~

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EXHIBIT
CWW-31A

RR

November 21, 1986

N 45670

Meeting With Senior Presidential Advisors

DATE: November 24, 1986
LOCATION: Situation Room
TIME: 2:00 p.m. - 3:00 p.m.

FROM: JOHN M. POINDEXTER JMP

I. PURPOSE

To review the situation in Iran and discuss how best to reinvigorate our policy in the Middle East and Persian Gulf.

II. BACKGROUND

The disclosure of the Iran initiative has exacerbated the leadership struggle in Tehran and damaged our influence in the Middle East and Persian Gulf. To assess the consequences of this situation, and what we can do to restore our position, our discussion will open with a detailed briefing on the internal situation in Iran. George Cave, CIA's premier expert on Iran (who acompanied Bud to Tehran and participated in other meetings with the Iranians), will provide the group with an intelligence briefing based on our most recent contacts. Cave will depart at the conclusion of his presentation.

In the follow-up discussion, it is essential that we reach a consensus on how to proceed in our efforts with Iran. Of even greater significance is the need to marshal bureaucratic resources -- notably the State Department -- to explain the rationale for our initiative and to dispatch a special emissary to key posts. The mission of the emissary (perhaps the Vice President with Under Secretary Armacost) would be to explain not only the strategic rationale for our action, but also to place the initiative in the context of our broader regional objectives. For instance, he must also address the peace process, U.S. relations with Syria, and the Soviet role in the Middle East, in addition to Iran. He should probably visit Jordan, Iraq, Saudi Arabia, Egypt, Pakistan and several European countries. The assignment of such a mission to State, to include participation from NSC, Defense and CIA, might provide the catalyst necessary to generate much-needed bureaucratic activism. It would also send a signal of governmental unity, overcoming a perception in the region that internal divisions have paralyzed our ability to act.

[redacted] Declassified/Released on 23 Jul 87
[redacted]
[redacted]

cc: Vice President
Donald Regan

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III. PARTICIPANTS

The Vice President
Secretary of State Shultz
Secretary of Defense Weinberger
Attorney General Meese
Director Casey
Donald T. Regan
John M. Poindexter
Alton G. Keel
George Cave

IV. PRESS PLAN

None.

V. SEQUENCE OF EVENTS

- George Cave briefing on the situation in Iran.
- Discussion.

Prepared by:
Howard R. Teicher
Oliver L. North

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EXHIBIT CWW-32

~~TOP SECRET~~ CROCUS(S)

D 2902

MEMORANDUM FOR RECORD

EXHIBIT
CWW-32

1 DEC 1986

SUBJECT: CROCUS(S)

1. (TS) In late March or early April 1986, the Chief of Staff, Army tasked the ADCSLOG, MG Russo, to locate and prepare for transfer to ROAM STOCK approximately 245 lines of Hawk parts. Destination and user identities were unknown. The logistics cell responsible for support to [redacted] was tasked to determine availability, location and price of the parts requested.

2. (TS) MG Russo informed me of the tasking and requested my views on the legal issues which were primarily who the intended user was to be and who would notify the SSCI and HPSCI of the transfer of materiel in excess of $1M [redacted] MG Russo expressed concern then and throughout the transaction with the legal ramifications of the transfer and discussed the issue with the Director of the Army Staff, LTG Brown, and, I believe with the Military Assistant to SECDEF, RADM Jones, on or about 7 May 1986.

3. (TS) The HAWK parts, 223 line items, closed [redacted] about 21 May 1986, as well as 508 additional TOW missiles. At that time the ADCSLOG was told to look at the availability of two air defense radars being held as a previous Iranian purchase and two additional radars.

4. (TS) [redacted] The consistent view of DoD, not the Army, has been that DoD has no responsibility for notification of Congress of materiel transfers and that that responsibility falls on the requestor/recipient of the materiel.

JOHN W. MCDONALD
COL, US Army

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under provisions of E.O. 12356
by B. Reger, National Security Council

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Exhibit CWW-33

[redacted] UNCLASSIFIED D 83

SUBJECT: Questions and Answers for the Record from Secretary of Defense Testimony Before the House Permanent Select Committee on Intelligence, 18 December 1986 (U)

1. The Committee requests a copy of the Army Inspector General/ General Counsel report on their investigation of the pricing of TOW missiles transferred to the CIA.

A: (U) Upon completion of the report, a copy will be provided to the Committee.

2. The Committee requests a copy of the Secretary of Defense memorandum and marginal notes on the Draft NSDD of June 1985

A: (U) These are provided at TAB A.

3. Was the basic TOW sold to any other country in the last two or three years?

A: (C) Yes. From FY 1983 to FY 1986, basic TOW was sold to the following countries (quantities in parentheses): Japan ([redacted]), Kenya [redacted], Korea [redacted], Morocco ([redacted]), Somalia [redacted], and Thailand [redacted]. [redacted]

4. Did General Secord have any kind of Consultant contract, or other relationship or post, with the Department of Defense after his retirement?

A: (U) Yes. Following his retirement on 1 May 1983, MG Secord was approved as a consultant appointee for the Office of the Assistant Secretary of Defense (International Security Affairs), specifically for the Near Eastern and South Asian Affairs Region. Effective 11 July 1983, MG Secord was authorized 130 days at a rate of $242.00 per day, but he did not serve any days in a pay status. On 11 July 1984, MG Secord was again approved as a consultant appointee and authorized 90 days at a rate of $242.00 per day, but he did not serve any days in a pay status. MG

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by B. Reger, National Security Council

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Secord's appointment was terminated on 10 July 1985. On 5 August 1985 MG Secord was appointed as a consultant without compensation for up to ten days. This appointment was terminated on 4 August 1986, and the Department has no record of his having been on a duty status on this appointment, with the following exception. On 5 August 1985, MG Secord was appointed as a consultant, without compensation, to the Special Operations Policy Advisory Group (SOPAG). His term on the SOPAG expired effective 4 August 1986. During this one-year term, MG Secord participated in one meeting of the SOPAG, on 15 November 1985. He has not participated since, and this is the last consulting activity in which he participated, according to Department records. Pertinent documentation is enclosed at TAB B.

5. Was General Secord dropped from one of our committees for failing to execute a financial statement?

A: (U) MG Secord served on the Special Operations Policy Advisory Group (SOPAG) from January 1984 to August 1986, although he last participated in November 1985. MG Secord's membership on the SOPAG was terminated, effective 4 August 1986, based upon his failure to provide the Department with financial information (as required in form SF 1555). Amplifying information is enclosed at TAB C.

6. Have any FMS or other arms sales by the Department been made to any "agents or middlemen" as opposed directly to a recipient country?

A: (U) No FMS or other arms sales to foreign countries have been made by the Department through a private agent

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or middleman. There is no legal authority to sell under the Arms Export Control Act to other than an eligible foreign country, except for sales to U.S. contractors under Section 30 of the Act for incorporation into end items and subsequent export. The Department has sold items to other agencies of the federal government in accordance with the Economy Act.

7. Did any DoD intelligence personnel know anything about furnishing any intelligence to Iran covering such matters as battle plans, results of [redacted] gathering of the Iran-Iraq front line, etc.? (The Committee made reference to a message to Congressman Kastenmeier from the Deputy Director of Central Intelligence, Mr. McMahon.)

A: (TS/[redacted] No one in the Department, including the Defense Intelligence Agency, knew of the furnishing of U.S. intelligence of any type to Iran until the question was put to me in the 18 December Committee hearing. Upon careful review of intelligence files pursuant to my direction, two pieces of information have been retrieved by [redacted] which appear to be related [redacted] to this question. The first item is an [redacted]

[redacted]

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[redacted]

8. Did [redacted] have any relationship with anyone who was selling arms to the Contras during the time when such sales were prohibited?

A: (S) [redacted] was aware that a private group was operating in support of the Nicaraguan Contras, and (as instructed by the U.S. Ambassador [redacted]) monitored its activities. On one occasion, upon instruction from the U.S. Ambassador, [redacted] admonished the group to improve its behavior [redacted], and on another occasion, at the request of a group member (a pilot), he translated into Spanish for [redacted] the pilot's request for fuel.

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Exhibit CWW-34

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~~TOP SECRET~~ EYES ONLY

THE SECRETARY OF DEFENSE
WASHINGTON, THE DISTRICT OF COLUMBIA

December 23, 1986

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EXHIBIT
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Honorable George P. Shultz
Secretary of State
Department of State
Washington, D.C. 20520

Dear George:

I attach a memorandum which I have sent to the White House, and about which I feel very strongly. I think the memo discusses a very bad way to do very bad business. I hope that we will soon have an NSPG to prevent what I see is substantial further damage that can come to the Administration from a continuation of the same practices that have caused so much of the trouble we are experiencing now.

I think it is particularly unfortunate that the State Department's public statements are now denying that we are continuing contacts with the Iranian government through Third Country representatives, which is true only in the most technical sense of terms, and which I am afraid will cause further adverse reactions when the truth is known.

Sincerely,

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Declassified/Released on 24 July 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

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WASHINGTON, THE DISTRICT OF COLUMBIA

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22 DEC 1986

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MEMORANDUM FOR THE ACTING ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS

N 45404

When the President announced in late November or early December that all further arms shipments to Iran had ceased, and after it became apparent that the channels we were using to discuss hostage release, and other matters with the Iranians were, at the very least, ineffective, and, as is easily apparent now, totally counterproductive, I had assumed that we were finished with that entire Iranian episode and so testified to Congressional Committees during last week. I was astounded, therefore, to learn, on Friday, December 19, 1986, after my testimony, that United States "negotiators" were still meeting with the same Iranians. I learned this not from our State Department or from anyone in the American government, but by the same route I learned initially of the original discussions with the Iranians about arms sales, that is to say [redacted] [redacted] When we inquired of the NSC as to the meaning [redacted] I was finally advised that we did indeed have negotiators, namely, Mr. Raphael of the State Department, and probably others, still negotiating with the same elements in the Iranian group. I was told that we were no longer talking with them about selling them arms and I hope this is true, but I have no way of knowing if it is true.

I must point out as strongly as I can that any attempt to conduct major activities in the security field with the deliberate exclusion of those who have some responsibility for security cannot succeed in anything but adding to the troubles we already have. I would very much have appreciated an opportunity to present to the President arguments as to why we should not continue dealing with these channels in Iran. Their total unreliability and inability to produce anything except public accusations against the United States makes the entire procedure not only fruitless, but particularly dangerous in view of today's Iranian problems.

I think the President was entitled to have the advice of all of his security advisors, and I must strongly object that the continuation of this practice of secrecy and attempts to exclude various advisors whose advice it is apparently feared

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Under provisions of E.O. 12356
by B. Reger, National Security Council

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may not support the agenda of the State Department, in this case, or some other agenda in other cases, can only get us in more and more difficulty, and serves the President very badly. I therefore ask that there be a meeting of the National Security Planning Group so this matter can be discussed properly, and presented properly, to the President, and that our so-called negotiators with the Iranian government, wherever they are, be brought home and instructed not to take any further action of any kind to meet with or discuss anything with Iranian government officials unless and until there is a Presidential decision growing out of an NSPG meeting to do so. And if there is such a decision, I would ask that the Defense Department and the NSC be kept fully informed and advised, and consulted as to what is happening or about to happen.

N 45405

I am sorry to be so blunt about it, but it seems to me incredibly wrong that the precise mechanisms of secrecy and attempts to exclude advisors who, it is feared may have different views, which helped cause so many of our present difficulties, are apparently being pursued by the State Department at this time.

I have now learned, thanks to your forthcomingness with me, and by reason of our investigations, that McFarlane had actually offered the Iranians sensitive intelligence information, passed by the U.S. as to Iraq, and that State plans another meeting with the Iranians on December 27 in Genena. I urgently urge that no such meetings be permitted until we have had the NSPG you very forthrightly offered.

I will urge, at that meeting that we tell all Iranians in whatever channel or channels there may be that we will discuss nothing with any of them until all American hostages are returned unharmed. The terms of reference you kindly showed me today seem to me to be wholly inadequate.

cc: Don Regan

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EXHIBIT CWW-35

[redacted]

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MEMORANDUM FOR THE FILES

I received my copy of the attached memo from SecDef Weinberger to then-acting National Security Adviser Keel on December 24, 1986. I called Cap that day to tell him my reaction to his memo. I told him his assumptions were wrong that I was glad to let him know what is going on and if he wanted to know the facts he ought to cease firing off intemperate memos about the State Department and instead pick up the phone and call me. Cap said he would do that.

The State Department found out about continuing use of a channel to the Iranians after the fact. It is ironic that others would accuse us of perpetuating a tactic we found outrageous. I specified for Cap some of the numerous occasions when we tried to shut this down and when we found out after the fact that the channel was still being kept open:

> A week before John Poindexter resigned we tried to get a decision on no more arms to Iran. We found out [redacted] was communicating directly with CIA Director Casey. We have not been a party to those contacts.
>
> We found out the Iranians had been maintaining direct contact with ex-CIA official George Cave and wanted to have another meeting. When we found out the meeting was to take place, we insisted on having one of our people there. Charlie Dunbar, a Farsi-speaking Foreign Service officer joined Cave. We saw this meeting as an opportunity to tell the Iranians 1) we would provide no more arms, and 2) this channel would no longer be used by the USG to convey policy messages; we were there to listen. Casey subsequently made an end run to Don Regan who went to the President who told NSC director Keel to change the instructions for the meeting and keep the channel open both for policy and intelligence exchanges. When we found this out, I went back to the President and got agreement that Mike Armacost would be in charge of coordinating our policy on Iran, including identifying and getting control of all the various channels. The President said he wanted to pursue contacts with the Iranians but no more arms would go to them.
>
> When the meeting took place, our representative Dunbar found out that the Iranians didn't have the word that this channel had changed, were operating on promises of arms and trying to negotiate with us on the basis of a nine point agenda which they claimed had been agreed upon.
>
> After Dunbar left Frankfurt, Cave met with his Iranian contact the next day for a second time. The CIA contends this meeting took place at Iranian request. We did not authorize this second meeting and we were not informed in advance it was to take place.

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Although there were no further face-to-face meetings about which we are aware, telephone contacts between Cave in Washington and an Iranian interlocutor in Tehran continued through mid-January. Beginning December 29, Charlie Dunbar was present for what the Agency said were all of the phone calls, but only heard the Cave end of the talks. During these conversations, the Iranian emphasized that they still expected arms to be delivered and expressed his displeasure over State Department involvement in the issue, since State was "seeking to spoil things".

Finally, on January 20, [redacted] of the Agency informed Arnie Raphel that the CIA had decided to close down the Cave channel [redacted] since there was no useful information being generated.

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29 Jan

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THE SECRETARY OF DEFENSE
WASHINGTON THE DISTRICT OF COLUMBIA

SYSTEM II
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3 JAN 1985

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MEMORANDUM FOR ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS

EXHIBIT
CWW-36

SUBJECT: U.S. Policy Toward Nicaragua (U)

(C) I believe it urgent that we update our policy toward Nicaragua. In particular, when Congress returns, we will have to address the problem of funding for the Freedom Fighters.

(S) So far as I know, your four objectives for Nicaragua (established by NSDD 124) are still fully valid:

- genuine implementation of democracy;
- verified end to export of subversion;
- verified removal of Cuban/Soviet bloc personnel; and
- verified reduction of Nicaraguan military forces to regional parity.

(S) There seems to be no prospect of accomplishing these objectives without improved assistance to the Freedom Fighters. This calls for planning to generate the requisite Congressional approval. We may wish to consider mixtures of support: overt and "covert"; direct and indirect (through third countries for example); political, humanitarian, and military. The Joint Chiefs of Staff share my view that our support for the resistance to the Sandinistas must continue and also that we must bring our political, diplomatic, and economic strength to bear.

(C) I recommend that you have an NSPG meeting scheduled, as soon as feasible in January, to develop an updated approach toward Nicaragua, with particular focus on an effective approach to Congress.

799

cc: Chairman, JCS

~~CLASSIFIED BY: DIR, LA RGN~~
~~DECLASSIFY ON: OADR~~

[illegible]

Partially Declassified/Released on [illegible]
under provisions of E.O. 12356
by B. Reger, National Security Council

UNCLASSIFIED

EXHIBIT CWW-37

Department of State TELEGRAM

I002

PAGE 01 [redacted] 120381Z

ACTION [redacted]

INFO LOG-01 ADS-00 CCO-00 /009 W
------------------055426 120363Z /38

R 120259Z FEB 85
FM AMEMBASSY [redacted]
TO SECSTATE WASHDC 2642

FILE COPY

SPECIAL HANDLING

~~C O N F I D E N T I A L~~ [redacted]

[redacted]

FOR ARA CRAIG JOHNSTONE FROM [redacted]

E.O. 12356: DECL: OADR
TAGS: [redacted]
SUBJ: FELIX RODRIGUEZ

S 4486

ARA
OD
P

REF: [redacted]

1. ~~C~~ - ENTIRE TEXT.

2. THE FOLLOWING MESSAGE WAS RECEIVED BY AMB [redacted] FROM GENERAL GORMAN ON FEBRUARY 8.

3. BEGIN TEXT:

SUBJECT HAS BEEN PUT INTO PLAY BY OLLIE NORTH, AND, WHILE WELL ACQUAINTED, DOES NOT HAVE HIGHER BACKING. OLLIE ASSURES ME THAT HE WILL PASS WORD TO RODRIGUEZ TO GET IN TOUCH WITH ME BEFORE HE GOES ANY FURTHER.

I WILL ARRANGE TO HAVE RODRIGUEZ COME TO SOUTHCOM FOR DISCUSSIONS. WE CAN THEN DECIDE WHETHER IT WILL ALSO BE USEFUL FOR HIM TO INSPECT [redacted] OPERATIONS. POSSIBLY WE ALL MIGHT LEARN SOMETHING FROM HIM. BUT OLLIE ASSURES ME THAT HIS INTENT WAS TO FOCUS RODRIGUEZ ON FORCES OPERATING ELSEWHERE IN CENTAM, AND THAT NOTHING MORE THAN CONSULTING WITH [redacted] WAS CONTEMPLATED. I STRESSED OUR CONCERN OVER [redacted] AND THE PENDING TRANSFER OF [redacted] TO MILGP, OPINING THAT WE REALLY HAD ENOUGH ADVICE FOR [redacted] ON THE NET AT THE MOMENT. OLLIE ROGERED, AND SAID THAT RODRIGUEZ CAN BE MUCH MORE USEFUL IN OTHER PLACES, WHERE AID AND ADVICE IS MUCH SCARCER.

WILL KEEP YOU INFORMED.

END TEXT.

[redacted]

Partially Declassified/Released on Feb 8 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

1816

EXHIBIT
CWW-37

CONFIDENTIAL
UNCLASSIFIED

Exhibit CWW-38

7623 ++1

ROUTING

To	Name and Address	Date	Initials
1	Robert McFarlane		
2			
3			
4			
5			
6			

XX	ACTION		FILE
	APPROVAL		INFORMATION
	COMMENT		PREPARE REPLY
	CONCURRENCE		RECOMMENDATION
	DIRECT REPLY		RETURN
	DISPATCH		SIGNATURE

REMARKS:
cc: Oliver North (#2 and 3)
James Radzimski (#4)

UNCLASSIFIED

N 7182

NSC/ICS CONTROL NO. 400215

COPY NO. ______ OF ______

HANDLE VIA SYSTEM IV CHANNEL ONLY

EXHIBIT
CWW-38

NSC INTELLIGENCE DOCUMENT

Partially Declassified/Released on 5 May 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

Warning Notice
Intelligence Sources and Methods Involved
NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

BKD/[illegible]
12-[illegible]-86
NS 130

UNCLASSIFIED

N 7183

National Security Council
The White House

UNCLASSIFIED

System # ____
Package # ____

1621

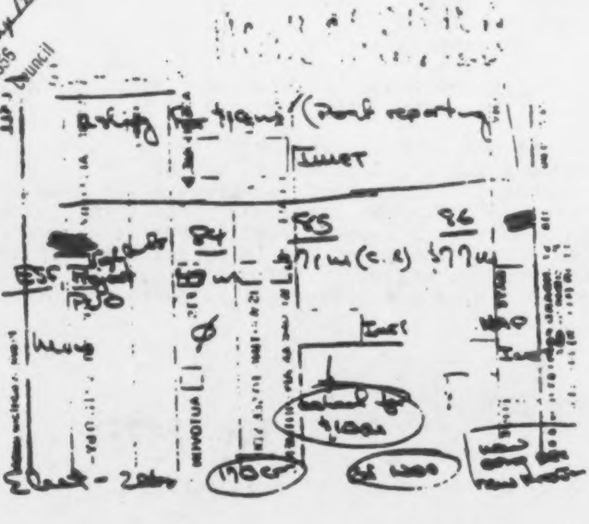
	SEQUENCE TO	HAS SEEN	DISPOSIT
Bob Pearson	1		
Bob Kimmitt	2	K	
John Poindexter			
Paul Thompson			
Wilma Hall	3		
Bud McFarlane	4	M	A
Bob Kimmitt			
NSC Secretariat			
Situation Room			

I = Information A = Action R = Retain D = Dispatch N = No further A

cc: VP Meese Regan Deaver Other ____

COMMENTS Should be seen by: ____
(Date/Time)

Partially Declassified/Released on 5 May 1987
under provisions of E.O. 12356
by ? Reger, National Security Council



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Israel
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Eland - 20hrs
170 cr

MEMORANDUM

~~TOP SECRET~~ UNCLASSIFIED

NATIONAL SECURITY COUNCIL

SYSTEM IV
NSC/ICS-400215

N 7184

March 5, 1985

~~TOP SECRET~~

ACTION

Partially Declassified/Released on 5 May 1987
under provisions of E.O. 12356
by [illegible] National Security Council

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: OLIVER L. NORTH

SUBJECT: Aid to the Nicaraguan Resistance

Attached at Tab I is a memo from you to Secretaries Shultz and Weinberger, Director Casey, and General Vessey asking for their views on increased U.S. assistance Your memo is cast as suggestion which derives from trip to the region.

The real purpose of your memo is to find a way by which we can compensate the the extraordinary assistance they are providing to the Nicaraguan freedom fighters. At Tab II are end-user certificates which the provided for the purchase of nearly $8M worth of munitions to be delivered to the FDN. These nine documents are a direct consequence of the informal liaison we have established and your meeting with he and The ammunition and weapons identified in these documents will be delivered in several shipments (2 by aircraft and 1 by sea) starting on or about March 10, 1985. All shipments will be delivered be receipted for [redacted] , and turned over to FDN representatives at. on arrival. Adolfo is convinced, and I agree, that have not removed or withheld any equipment/munitions from the FDN deliveries which have occurred to date.

During one of the meetings in which the process above was arranged, one of presented a "wish list" of items which they desperately need in order to prosecute their war against the Cuban-supported guerrillas. A copy of the list is attached at Tab III. Each of the items identified are in priority within four principal categories: Aircraft, Ground Forces Equipment, Weapons and Munitions, and Non-Tactical Military Equipment.

~~TOP SECRET~~
Declassify: OADR

~~TOP SECRET~~
UNCLASSIFIED

UNCLASSIFIED

Your memo at Tab I does not refer to the arrangements which have been made for supporting the resistance through( ) It does, however, urge that we take steps now to improve their situation. Once we have approval for at least some of what they have asked for, we can ensure that the right people in [redacted] understand that we are able to provide results from their cooperation on the resistance issue.

RECOMMENDATION

That you sign and transmit the memo at Tab I.

Approve ✓ Disapprove ____

Attachments
 Tab I - McFarlane Memo to Shultz/Weinberger/Casey/Vessey
 Tab II - [redacted] End-User Certificates
 Tab III - [redacted] Military Equipment Requirements

~~TOP SECRET~~ UNCLASSIFIED

N 7186

UNCLASSIFIED

THE WHITE HOUSE

WASHINGTON

SYSTEM IV
NSC/ICS-400215

N 7187
SENSITIVE

~~SECRET~~

March 11, 1985

MEMORANDUM FOR THE HONORABLE GEORGE P. SHULTZ
The Secretary of State

THE HONORABLE CASPAR W. WEINBERGER
The Secretary of Defense

THE HONORABLE WILLIAM J. CASEY
The Director of Central Intelligence

GENERAL JOHN W. VESSEY, JR.
The Chairman, Joint Chiefs of Staff

SUBJECT: Assisting Progress toward Democracy (C)

During my brief stop in [redacted] made a convincing case for their commitment to democracy. They also noted their critical need for relatively small amounts of security assistance, economic aid, and support for their struggling agricultural sector. (C)

In recent weeks, there appears to have been an increase in guerrilla attacks and subversion. It is entirely likely that we will see more polarizing activity of this kind as the elections approach. Unless the Army has adequate support, certain elements may use the guerrilla action as a reason to defer elections or to justify counter-productive, repressive measures. Unfortunately, the Congress only provided in FY-85 IMET funds from the Administration's security assistance request. While the FY-86 request for [redacted] in security assistance provides hope for the future, it would seem that we need to look for ways in which we can help [redacted] between now and their elections. (S)

It is, therefore, requested that State take the lead in developing imaginative alternatives can be provided with assistance to improve their security situation. We should consider as well as activities by other U.S. agencies which could have a positive effect on internal security conditions.

Our goal in all of this should be to provide all possible assistance to progress toward democracy. (S)

Robert C. McFarlane
Robert C. McFarlane

Partially Declassified/Released on 5 May 1987
under provisions of E.O. 12356
by [illegible] Reger, National Security Council

~~SECRET~~
~~Declassify: OADR~~

SENSITIVE

~~SECRET~~

N 7188

UNCLASSIFIED
N 7189

[redacted]

S/r.

CERTIFICACION DE DESTINO FINAL

[redacted] 14 de febrero de 1,985.

Señores:
ENERGY RESOURCES INTERNATIONAL
440 Maple Ave. East
Viena, Va., 22180.

Señores:

Nos dirigimos a ustedes, para manifestarles que por este medio estamos extendiendo CERTIFICACION DE DESTINO FINAL por DIEZ MIL (10,000) rifles automáticos, los cuales serán destinados para uso exclusivo del Ejército de [redacted] y no serán reexportados ni vendidos a otro país, siendo [redacted] el destino final.

Sin otro particular, aprovecho la oportunidad para suscribirme atentamente.

[redacted]

N 7190

UNCLASSIFIED

CERTIFICACION DE DESTINO FINAL

14 de febrero de 1,985.

Señores:
ENERGY RESOURCES INTERNATIONAL
440 Maple Ave. East
Viena, Va., 22180.

Señores:

Nos dirigimos a ustedes, para manifestarles que por este medio estamos extendiendo CERTIFICACION DE DESTINO FINAL por DIEZ MIL (10,000) libras de explosivo (HE) - C4 o TNT y UN MIL QUINIENTOS (1,500) detonadores variados, los cuales serán destinados para uso exclusivo del Ejército de [redacted] y no serán reexportados ni vendidos a otro país, siendo ,el destino final.

Sin otro particular, aprovecho la oportunidad para suscribirme atentamente.

UNCLASSIFIED

[redacted]

UNCLASSIFIED N 7191

CERTIFICACION DE DESTINO FINAL

[redacted]/14 de febrero de 1,985.

S.ñores:
ENERGY RESOURCES INTERNATIONAL
440 Maple Ave. East
Viena, Va., 22180.

Señores:

Nos dirigimos a ustedes, para manifestarles que por este medio estamos extendiendo CERTIFICACION DE DESTINO FINAL del material que a continuación se detalla, el cual será destinado para uso exclusivo del Ejército de [redacted] y no será reexportado ni vendido a otro país, siendo [redacted] el destino final:

A. 150 ametralladoras
B. 150 morteros de 60mm. -completos-.
C. 100 morteros de 81mm. -completos-.
D. 150 lanzagranadas M-79
E. -30 fusiles sin retroceso de 57mm.

Sin otro particular, aprovecho la oportunidad para suscribirme atentamente.

UNCLASSIFIED

[redacted]

UNCLASSIFIED

N 7192

CERTIFICACION DE DESTINO FINAL

14 de febrero de 1,985.

Señores:
ENERGY RESOURCES INTERNATIONAL
440 Maple Ave. East
Viena, Va., 22180.

Señores:

Nos dirigimos a ustedes, para manifestarles que por éste medio estamos extendiendo CERTIFICACION DE DESTINO FINAL del material que a continuación se detalla, el cual será -- destinado para uso exclusivo del Ejército de y no será reexportado ni vendido a otro país, siendo - el destino final:

A. 10,000 granadas M-79.
B. -3,000 granadas de 60mm.
C. -2,000 granadas de 81mm.

Sin otro particular, aprovecho la oportunidad para suscribirme atentamente.

UNCLASSIFIED

[illegible] N 7193

CERTIFICACION DE DESTINO FINAL

[redacted] 14 de febrero de 1,985.

Señores:
ENERGY RESOURCES INTERNATINAL
440 Maple Ave. East
Viena, Va., 22180.

Señores:

Nos dirigimos a ustedes, para manifestarles que por este medio estamos extendiendo CERTIFICACION DE DESTINO FINAL del material que a continuación se detalla, el cual, será destinado para uso exclusivo del Ejército de [redacted] y no será reexportado ni vendido a otro país, siendo [redacted] el destino final:

A. 3,000 granadas RPG-7.
B. --100 lanzagranadas RPG-7.

Sin otro particular, aprovecho la oportunidad para suscribirme atentamente.

UNCLASSIFIED

[redacted]

UNCLASSIFIED N 7194

CERTIFICACION DE DESTINO FINAL

[redacted] 14 de febrero de 1,985.

Señores:
ENERGY RESOURCES INTERNATIONAL
440 Maple Ave. East
Viena, Va., 22180.

Señores:

Nos dirigimos a ustedes, para manifestarles que por este medio estamos extendiendo CERTIFICACION DE DESTINO FINAL por DOS MIL (2,000) minas anti-personales y UN MIL (1,000) minas anti-tanque, las cuales serán destinadas para uso exclusivo del Ejército de [redacted] y no serán reexportadas - ni vendidas a otro país, siendo [redacted] el destino final.

Sin otro particular, aprovecho la oportunidad para suscribirme atentamente.

UNCLASSIFIED

[redacted]

N 7195

CERTIFICACION DE DESTINO FINAL:

[redacted] 14 de febrero de 1,985.

Señores:
ENERGY RESOURCES INTERNATIONAL
440 Maple Ave. East
Viena, Va., 22180.

Señores:

Nos dirigimos a ustedes, para manifestarles que por este medio estamos extendiendo CERTIFICACION DE DESTINO FINAL por TRES MIL (3,000) LAW ROCKETS, que vienen destinados para uso exclusivo del Ejército de [redacted] y no serán reexportados ni vendidos a otro país, siendo [redacted] el destino final.

Sin otro particular, aprovecho la oportunidad para suscribirme atentamente.

UNCLASSIFIED

[redacted]

[illegible]

N 7196

CERTIFICACION DE DESTINO FINAL

14 de febrero de 1,985.

Señores:
ENERGY RESOURCES INTERNATIONAL
440 Maple Ave. East
Viena, Va., 22180.

Señores:

Nos dirigimos a ustedes, para manifestarles que por este medio estamos extendiendo CERTIFICACION DE DESTINO FINAL por DIEZ (10) lanzacohetes tierra-aire y CINCUENTA (50) misiles tierra-aire, los cuales vienen destinados para uso exclusivo del Ejército de y no serán reexportados ni -- vendidos a otro país, siendo el destino final.

Sin otro particular, aprovecho la oportunidad para suscribirme atentamente.

UNCLASSIFIED

[redacted] [redacted]

[illegible]

N 719

s/r.

CERTIFICACION DE DESTINO FINAL

[redacted] 14 de febrero de 1985.

Señores ENERGY RESOURCES INTERNATIONAL
440 Maple Ave. East
Viena, Va., 22180.

Señores:

Nos dirigimos a ustedes, para manifestarles que por este medio estamos extendiendo CERTIFICACION DE DESTINO FINAL por CINCO MILLONES (5.000,000) de cartuchos Ball Ammo, calibre 7.62mm., los cuales serán destinados para uso exclusivo del Ejército de [redacted] y no serán reexportados ni vendidos a otro país, siendo [redacted] el destino final.

Sin otro particular, aprovecho la oportunidad para suscribirme de ustedes atentamente.

UNCLASSIFIED

N 7196

MILITARY EQUIPMENT REQUIREMENTS

N 7199

The following military equipment and services have been identified as the highest priority [redacted] Army in combatting the Communist guerrillas. They are listed in sequence of highest to lowest need within each category.

Aircraft:

- -- New or refurbished helicopters and spare parts for existing inventory.
- -- Spare parts for fixed wing cargo aircraft.
- -- New or refurbished ground attack aircraft and spare parts for existing inventory.
- -- New trainer aircraft and related spare parts.

Ground Forces Equipment:

- -- Communications equipment, including secure voice systems.
- -- Various vehicles for troop and logistical transport.
- -- Engineering equipment, including bulldozers, road-graders, and survey instruments.

Weapons and Munitions:

- -- Light and medium weapons, including M-16 rifles, M-60 machine guns, pistols (9mm and .45 caliber), 81mm and 60mm mortars, and 90mm recoilless rifles.
- -- Ground force munitions, including mortar, recoilless rifle, and artillery rounds, assorted mines and explosives, and 7.62 x 51 linked ammunition, plus hand grenades.
- -- Aerial munitions, including 200 and 500 pound bombs and 2.75 inch rockets with appropriate warhead mixes.

Additional Non-Tactical Supplies and Equipment:

- -- Field hospital equipment, general medical supplies, and training for paramedics.
- -- Tactical radars for use in detecting border infiltration.

5 May 1987

UNCLASSIFIED

Exhibit CWW-39

UNCLASSIFIED

85- 1088

C 2710

15 March 1985

MEMORANDUM FOR: THE RECORD

SUBJECT: Breakfast with Secretary and Deputy Secretary of Defense, 15 March 1985

Partially Declassified/Released on 30 July 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

EXHIBIT
CWW-39

UNCLASSIFIED

26187

[redacted]

UNCLASSIFIED

7. Question of the support to the Contras came up. The Director noted that we should have another meeting on it but following last week's meeting of the LSG we tended to be leaning towards non-lethal aid. I described the assignment given to Motley to develop different options which could be packaged and then played against Senators Lugar and Durenberger to see what combination of options in a single package might be acceptable to Congress. But I noted at the meeting that there was no agreement that we would be limited to non-lethal aid. The Director said that McFarlane was to meet with Lugar and Durenberger today. In closing the Secretary stated that he had heard that [redacted] had earmarked $25 million for the Contras in $5 million increments

John N. McMahon

cc DDI
DDO
EA/DDCI
EA/DCI
Exec. Sec.
Exec. Registry

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under provisions of E.O. 123[illegible]
by B. Reger, National Security Council

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[illegible] 26188

Exhibit CWW-40

UNCLASSIFIED SECRET

30) 1/78

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

Declassified/Released on under provisions of E.O. 12356
by B. Reger, National Security Council

[redacted] C396

SECRET

ACTION

January 15, 1986

307

MEMORANDUM FOR JOHN M. POINDEXTER

FROM: OLIVER L. NORTH

N 30632

SUBJECT: Meeting with General Jack Galvin, USSOUTCHOM

You are scheduled to meet with General Jack Galvin on Thursday, January 16 from 10:30-11:00 a.m. General Galvin has some specific recommendations on future plans for more effective support to the Democratic Resistance Forces (DRF) in Nicaragua. In this regard, Elliott Abrahms advised today that Senator Dole is drafting a bill which will provide overt military support for the DRF. He reportedly has Senators Lugar, Bumpers, and Boren as co-sponsors and Senator Sam Nunn is considering whether or not to "sign-on."

General Gorman was and is an active proponent of a greater role for the Special Forces in training/advising both the Salvadoran military the DRF. General Galvin shares this belief. Both remain convinced that the CIA lacks the military expertise necessary to adequately train and advise the DRF in an appropriate strategy or even the proper tactics. Their concern is not unfounded. To this date, the CIA has been unable to produce a coherent military strategy, the tactics to support such a strategy, or to adequately train the force to accomplish either. Admittedly, some of the problem is because of our "on again-off again" Congressional restrictions. But, no small part of the problem is a lack of expertise in the paramilitary side of the CIA operations direcorate.

[redacted]

Finally, General Galvin has asked that you agree to periodic (about once a month) meetings with you to discuss sensitive issues. [redacted] I will be flying with General Galvin to Costa Rica after the meeting with a return Tuesday morning.

RECOMMENDATION

That you review the points above prior to your meeting.

Approve ______ Disapprove ______

3162

NOOF Box 23-5
4/1/87

SECRET
Declassify: OADR

UNCLASSIFIED SECRET

EXHIBIT CWW-41

UNCLASSIFIED

C 3736

WORKING PAPER
ACIS - 1740/86-b
24 October 1986
Copy 1 of 1

MEMORANDUM FOR: The Record

FROM: Douglas George
Chief, Arms Control Intelligence Staff

SUBJECT: Overview of DCI-SECDEF Breakfast, 24 October 1986

1. This memorandum provides an overview, which I estimate to be 100 percent accurate in scope and about 85 percent complete on the most important details, of today's breakfast between DCI Casey and SECDEF Weinberger. Deputy Secretary Taft and I were the only other attendees. The topics below are laid out in what I believe to be the order in which they came up. (OUO)

3074

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by B. Reger, National Security Council

EXHIBIT
CWW-41

UNCLASSIFIED

Executive Registry

UNCLASSIFIED

21. Regarding Central America, the DCI said that Secretary Abrams had reported that [redacted] were "holding us up." Secretary Taft said that it was the same old story: more (i.e., gear--the F-5) and faster. And the US was doing exactly that. (S/NF)

UNCLASSIFIED

1487/A

Executive Registry
26797

UNCLASSIFIED

Central Intelligence Agency
Washington, D.C. 20505

DCI/DDCI Executive Staff

23 October 1986

NOTE FOR: DCI

SUBJECT: Stump/Hamilton Letter, 15 Oct 86

We have been informed that Secretary Weinberger wants to talk about the Stump/Hamilton letter of 15 October. I understand that General Heinz briefed you on this in your weekly with him this afternoon.

[redacted]

Attachment

[redacted]

Executive Registry
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Document
4 pages
15 Oct 86

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~~UNCLASSIFIED~~ ~~C 3743~~

23 October 1986

MEMORANDUM FOR: Director of Central Intelligence

SUBJECT: Breakfast with Secretary Weinberger and Deputy Secretary Taft, 24 October, at 0745 (The Pentagon)

[redacted]

3074C

Partially Declassified/Released on 30 July 87
under provisions of E.O. 12356
by B. Reger, National Security Council

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UNCLASSIFIED

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TAB I

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C 3747

21 Oct 86

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UNCLASSIFIED

Document

4 pages C 3748 – C 3751

23 Oct 86

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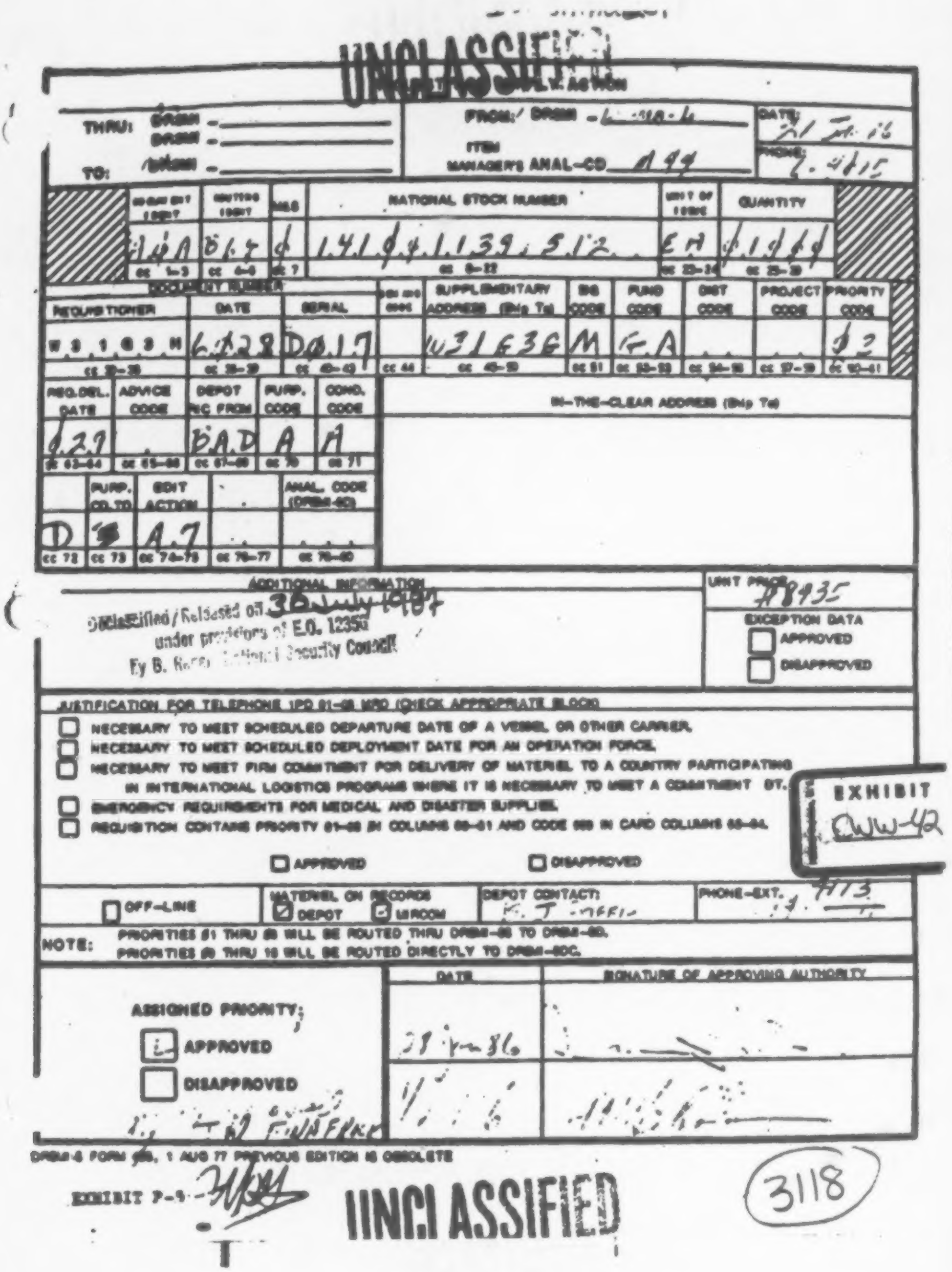
UNCLASSIFIED

EXHIBIT CWW-42



UNCLASSIFIED

THRU: DRSMI - DRSMI - TO: DRSMI -	FROM: DRSMI - [illegible] ITEM MANAGER'S ANAL-CD A44	DATE: 31 Jan 86 PHONE: 2-4115	

DOCUMENT IDENT	ROUTING IDENT	M&S	NATIONAL STOCK NUMBER	UNIT OF ISSUE	QUANTITY
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cc 1-3	cc 4-6	cc 7	cc 8-22	cc 23-24	cc 25-29

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cc 30-35	cc 36-39	cc 40-43	cc 44	cc 45-50	cc 51	cc 52-53	cc 54-56	cc 57-59	cc 60-61

REQ.DEL. DATE	ADVICE CODE	DEPOT RIC FROM	PURP. CODE	COND. CODE
029		BAD	A	A
cc 62-64	cc 65-66	cc 67-69	cc 70	cc 71

IN-THE-CLEAR ADDRESS (Ship To)

	PURP. CD.TO	EDIT ACTION		ANAL. CODE (DRSMI-SD)
D	[illegible]	A7		
cc 72	cc 73	cc 74-75	cc 76-77	cc 78-80

ADDITIONAL INFORMATION

Declassified/Released on 30 July 1987
under provisions of E.O. 12356
By B. Reger, National Security Council

UNIT PRICE $8435

EXCEPTION DATA
☐ APPROVED
☐ DISAPPROVED

JUSTIFICATION FOR TELEPHONE IPD 01-08 MRO (CHECK APPROPRIATE BLOCK)

☐ NECESSARY TO MEET SCHEDULED DEPARTURE DATE OF A VESSEL OR OTHER CARRIER.
☐ NECESSARY TO MEET SCHEDULED DEPLOYMENT DATE FOR AN OPERATION FORCE.
☐ NECESSARY TO MEET FIRM COMMITMENT FOR DELIVERY OF MATERIEL TO A COUNTRY PARTICIPATING IN INTERNATIONAL LOGISTICS PROGRAMS WHERE IT IS NECESSARY TO MEET A COMMITMENT DT.
☐ EMERGENCY REQUIREMENTS FOR MEDICAL AND DISASTER SUPPLIES.
☐ REQUISITION CONTAINS PRIORITY 01-03 IN COLUMNS 60-61 AND CODE 999 IN CARD COLUMNS 62-64.

☐ APPROVED ☐ DISAPPROVED

EXHIBIT
CWW-42

☐ OFF-LINE	MATERIEL ON RECORDS ☑ DEPOT ☑ MIRCOM	DEPOT CONTACT: K. J. [illegible]	PHONE-EXT. [illegible] 7713

NOTE: PRIORITIES 01 THRU 08 WILL BE ROUTED THRU DRSMI-SS TO DRSMI-SD.
PRIORITIES 09 THRU 15 WILL BE ROUTED DIRECTLY TO DRSMI-SDC.

ASSIGNED PRIORITY:
☑ APPROVED
☐ DISAPPROVED

[illegible] FINNEFRK

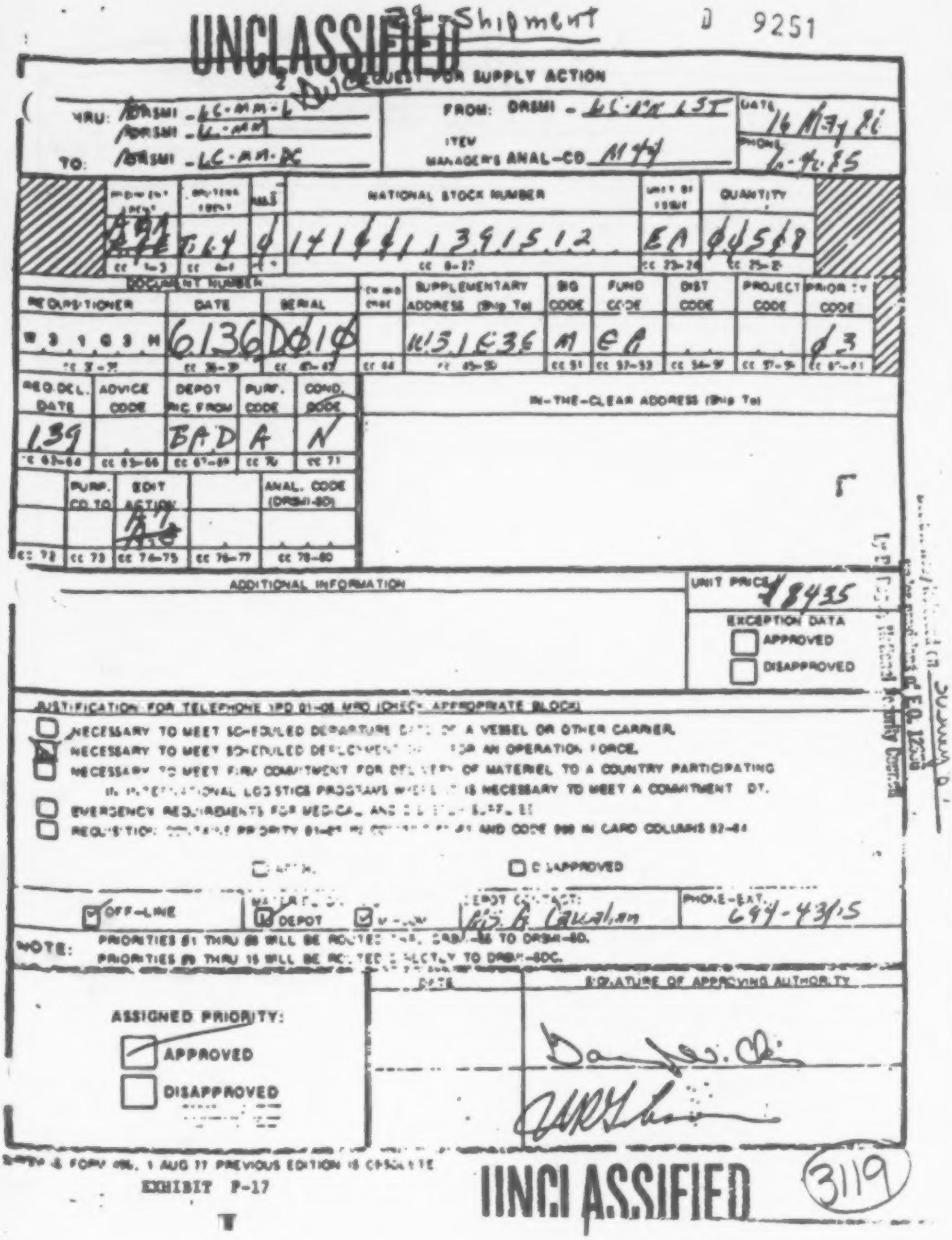
DATE	SIGNATURE OF APPROVING AUTHORITY
28 Jan 86	
[illegible]	

DRSMI-S FORM 595, 1 AUG 77 PREVIOUS EDITION IS OBSOLETE

EXHIBIT P-9

UNCLASSIFIED

3118



UNCLASSIFIED

Shipment D 9251

REQUEST FOR SUPPLY ACTION

THRU: DRSMI - LC-MM-L
DRSMI - LC-MM
TO: DRSMI - LC-MM-DC

FROM: DRSMI - LC-MM LSI
ITEM MANAGER'S ANAL-CD M44

DATE 14 May 81
PHONE 6-4185

DOCUMENT IDENT	ROUTING IDENT	M&S	NATIONAL STOCK NUMBER	UNIT OF ISSUE	QUANTITY
A01	TL4	0	1410011391512	EA	00548
cc 1-3	cc 4-6	cc 7	cc 8-22	cc 23-24	cc 25-29

DOCUMENT NUMBER

REQUISITIONER	DATE	SERIAL	DEMAND CODE	SUPPLEMENTARY ADDRESS (Ship To)	SIG CODE	FUND CODE	DIST CODE	PROJECT CODE	PRIORITY CODE
W31G3H	6136	D010		W31E36	M	EA			03
cc 30-35	cc 36-39	cc 40-43	cc 44	cc 45-50	cc 51	cc 52-53	cc 54-56	cc 57-59	cc 60-61

REQ. DEL. DATE	ADVICE CODE	DEPOT RIC FROM	PURP. CODE	COND. CODE
139		BAD	A	N
cc 62-64	cc 65-66	cc 67-69	cc 70	cc 71

IN-THE-CLEAR ADDRESS (Ship To)

	PURP. CD TO	EDIT ACTION		ANAL. CODE (DRSMI-SD)
		AT		
cc 72	cc 73	cc 74-75	cc 76-77	cc 78-80

ADDITIONAL INFORMATION

UNIT PRICE $18435

EXCEPTION DATA
☐ APPROVED
☐ DISAPPROVED

JUSTIFICATION FOR TELEPHONE (PD 01-08) MRO (CHECK APPROPRIATE BLOCK)

☐ NECESSARY TO MEET SCHEDULED DEPARTURE DATE OF A VESSEL OR OTHER CARRIER.
☒ NECESSARY TO MEET SCHEDULED DEPLOYMENT [illegible] FOR AN OPERATION FORCE.
☐ NECESSARY TO MEET FIRM COMMITMENT FOR DELIVERY OF MATERIEL TO A COUNTRY PARTICIPATING IN INTERNATIONAL LOGISTICS PROGRAMS WHERE IT IS NECESSARY TO MEET A COMMITMENT DT.
☐ EMERGENCY REQUIREMENTS FOR MEDICAL AND [illegible] SUPPLIES
☐ REQUISITION [illegible] PRIORITY 01-03 [illegible] AND CODE 999 IN CARD COLUMNS 62-64

☐ APPR. ☐ DISAPPROVED

☑ OFF-LINE
MATERIEL [illegible] ☑ DEPOT ☑ [illegible]
DEPOT CONTACT: Mrs. B. Callahan
PHONE-EXT. 694-4315

NOTE: PRIORITIES 01 THRU 08 WILL BE ROUTED THRU DRSMI-SS TO DRSMI-SD.
PRIORITIES 09 THRU 15 WILL BE ROUTED DIRECTLY TO DRSMI-SDC.

ASSIGNED PRIORITY:
☑ APPROVED
☐ DISAPPROVED

DATE

SIGNATURE OF APPROVING AUTHORITY

Douglas W. Ch[illegible]

DRSMI FORM 486, 1 AUG 77 PREVIOUS EDITION IS OBSOLETE

UNCLASSIFIED

3119

[illegible] of E.O. 12356 [illegible] Security Council

EXHIBIT P-17

UNCLASSIFIED ~~[illegible]~~

REQUEST FOR SUPPLY ACTION

D 9257

THRU: DRSMI -
DRSMI -
TO: DRSMI -

FROM: DRSMI - [illegible]
ITEM MANAGER'S ANAL-CO [illegible]

DATE: 5 [illegible]
PHONE: [illegible]

DOCUMENT IDENT	ROUTING IDENT	M&S	NATIONAL STOCK NUMBER	UNIT OF ISSUE	QUANTITY	
[illegible] E	[illegible]	[illegible]	1410-01-[illegible]	EA	[illegible]	
cc 1–3	cc 4–6	cc 7	cc 8–22	cc 23–24	cc 25–29	

DOCUMENT NUMBER

REQUISITIONER	DATE	SERIAL	DEMAND CODE	SUPPLEMENTARY ADDRESS (Ship To)	SIG CODE	FUND CODE	DIST CODE	PROJECT CODE	PRIORITY CODE
W31G3H	6303	DAA1		V31G36	M	[illegible]A			[illegible]
cc 30–35	cc 36–39	cc 40–43	cc 44	cc 45–50	cc 51	cc 52–53	cc 54–56	cc 57–59	cc 60–61

REQ.DEL. DATE	ADVICE CODE	DEPOT RIC FROM	PURP. CODE	COND. CODE
307		BAE	A	N
cc 62–64	cc 65–66	cc 67–69	cc 70	cc 71

	PURP. CD.TO	EDIT ACTION		ANAL. CODE (DRSMI-SD)
			DP	
cc 72	cc 73	cc 74–75	cc 76–77	cc 78–80

IN-THE-CLEAR ADDRESS (Ship To)

Materiel To Be Shipped To Arrive At Redstone Arsenal, AL NLT 1400 H[illegible] FL307. BC at Redstone is George Collier AV: 746-5701/4185 or [illegible] Coward AV: 746-4085/3809. [illegible] Instructions Same As Those Applied To [illegible]

ADDITIONAL INFORMATION

Special Project -

UNIT PRICE [illegible]

EXCEPTION DATA
☐ APPROVED
☐ DISAPPROVED

JUSTIFICATION FOR TELEPHONE (PD 01–03 MRO (CHECK APPROPRIATE BLOCK)

- ☐ NECESSARY TO MEET SCHEDULED DEPARTURE DATE OF A VESSEL OR OTHER CARRIER.
- ☐ NECESSARY TO MEET SCHEDULED DEPLOYMENT DATE FOR AN OPERATION FORCE.
- ☐ NECESSARY TO MEET FIRM COMMITMENT FOR DELIVERY OF MATERIEL TO A COUNTRY PARTICIPATING IN INTERNATIONAL LOGISTICS PROGRAMS WHERE IT IS NECESSARY TO MEET A COMMITMENT DT.
- ☐ EMERGENCY REQUIREMENTS FOR MEDICAL AND DISASTER SUPPLIES.
- ☐ REQUISITION CONTAINS PRIORITY 01–03 IN COLUMNS 60–61 AND CODE 999 IN CARD COLUMNS 62–64.

☑ APPROVED ☐ DISAPPROVED

☐ OFF-LINE	MATERIEL ON RECORDS ☐ DEPOT ☐ MIRCOM	DEPOT CONTACT:	PHONE-EXT.

NOTE: PRIORITIES 01 THRU 03 WILL BE ROUTED THRU DRSMI-SS TO DRSMI-SD.
PRIORITIES 09 THRU 15 WILL BE ROUTED DIRECTLY TO DRSMI-SDC.

ASSIGNED PRIORITY:
☑ APPROVED
☐ DISAPPROVED

DATE	SIGNATURE OF APPROVING AUTHORITY
[illegible]	[illegible]

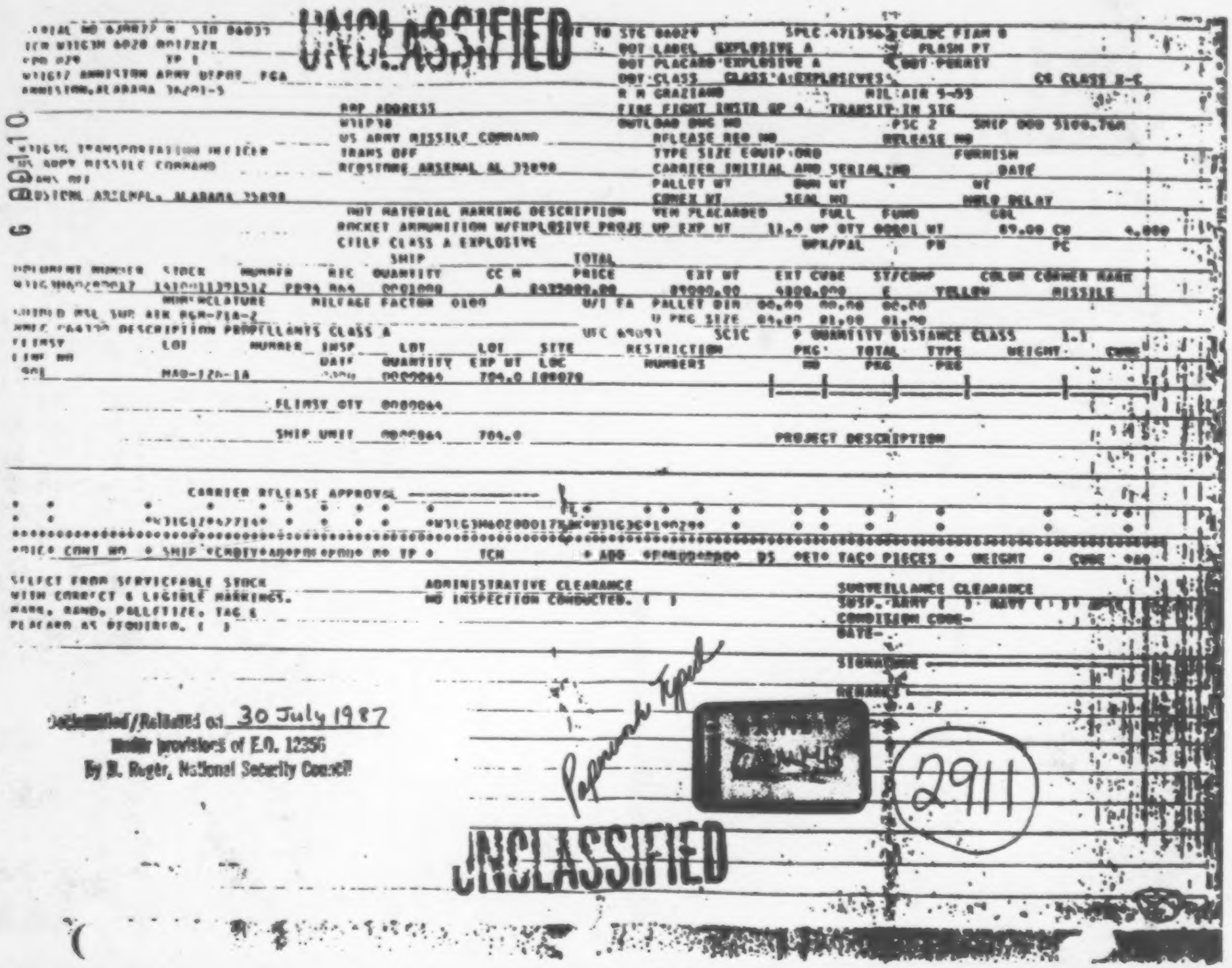
DRSMI-S FORM 498, 1 AUG 77 PREVIOUS EDITION IS OBSOLETE

[illegible] on 30 July 87
P-[illegible] [illegible] provisions of E.O. 12356
[illegible], National Security Council

UNCLASSIFIED

3120

EXHIBIT CWW-43



UNCLASSIFIED

G 00110

[illegible] NO [illegible] STD [illegible]
TCN W31G3M 6020 [illegible]
[illegible] YP 1
W31G17 ANNISTON ARMY DEPOT PGA
ANNISTON, ALABAMA 36201-5

[illegible] TRANSPORTATION OFFICER
US ARMY MISSILE COMMAND
TRANS OFF
REDSTONE ARSENAL, ALABAMA 35898

POD ADDRESS
W31P78
US ARMY MISSILE COMMAND
TRANS OFF
REDSTONE ARSENAL AL 35898

[illegible] TO STG [illegible] SPLC [illegible] FLASH PT
DOT LABEL EXPLOSIVE A
DOT PLACARD EXPLOSIVE A DOT PERMIT
DOT CLASS CLASS A EXPLOSIVES CG CLASS [illegible]
R M GRAZIANO MIL AIR 5-59
FIRE FIGHT INSTR GP 4 TRANSIT IN STG
OUTLOAD DWG NO PSC 2 SHIP DOD 5100.76M
RELEASE REQ NO RELEASE NO
TYPE SIZE EQUIP ORD FURNISH
CARRIER INITIAL AND SERIAL NO DATE
PALLET WT DUN WT WT
CONEX WT SEAL NO HOLD DELAY

HAZ MATERIAL MARKING DESCRIPTION VEH PLACARDED FULL FUND GBL
ROCKET AMMUNITION W/EXPLOSIVE PROJE UP EXP WT 11.0 UP QTY 00001 WT 89.00 CU 4.000
CITE CLASS A EXPLOSIVE UPK/PAL PU PC

DOCUMENT NUMBER	STOCK NUMBER	RIC	SHIP QUANTITY	CC H	TOTAL PRICE	EXT WT	EXT CUBE	ST/COMP	COLOR CORNER MARK
W31G3M60200017	1410011391512	P099 [illegible]	0001000	A	[illegible]	89000.00	4000.000	E	YELLOW MISSILE

NOMENCLATURE MILEAGE FACTOR 0100 U/I FA PALLET DIM 00.00 00.00 00.00
GUIDED MSL SUR AIR RGM-71A-2 U PKG SIZE 04.00 01.00 01.00
[illegible] DESCRIPTION PROPELLANTS CLASS A UFC [illegible] SCIC [illegible] QUANTITY DISTANCE CLASS 1.1

FLIMSY LINE NO	LOT NUMBER	INSP DATE	LOT QUANTITY	LOT EXP WT	SITE LOC	RESTRICTION NUMBERS	PKG NO	TOTAL PKG	TYPE PKG	WEIGHT	CUBE
001	MAD-126-1A	[illegible]	0000064	704.0	100079						

FLIMSY QTY 0000064

SHIP UNIT 0000064 704.0 PROJECT DESCRIPTION

CARRIER RELEASE APPROVAL

W31G17 [illegible] W31G3M60200017 [illegible] W31G3G [illegible]

[illegible] CONT NO SHIP [illegible] TCN ADD [illegible] DS [illegible] TAC PIECES WEIGHT CUBE [illegible]

SELECT FROM SERVICEABLE STOCK
WITH CORRECT & LEGIBLE MARKINGS.
MARK, BAND, PALLETIZE, TAG &
PLACARD AS REQUIRED. ( )

ADMINISTRATIVE CLEARANCE
NO INSPECTION CONDUCTED. ( )

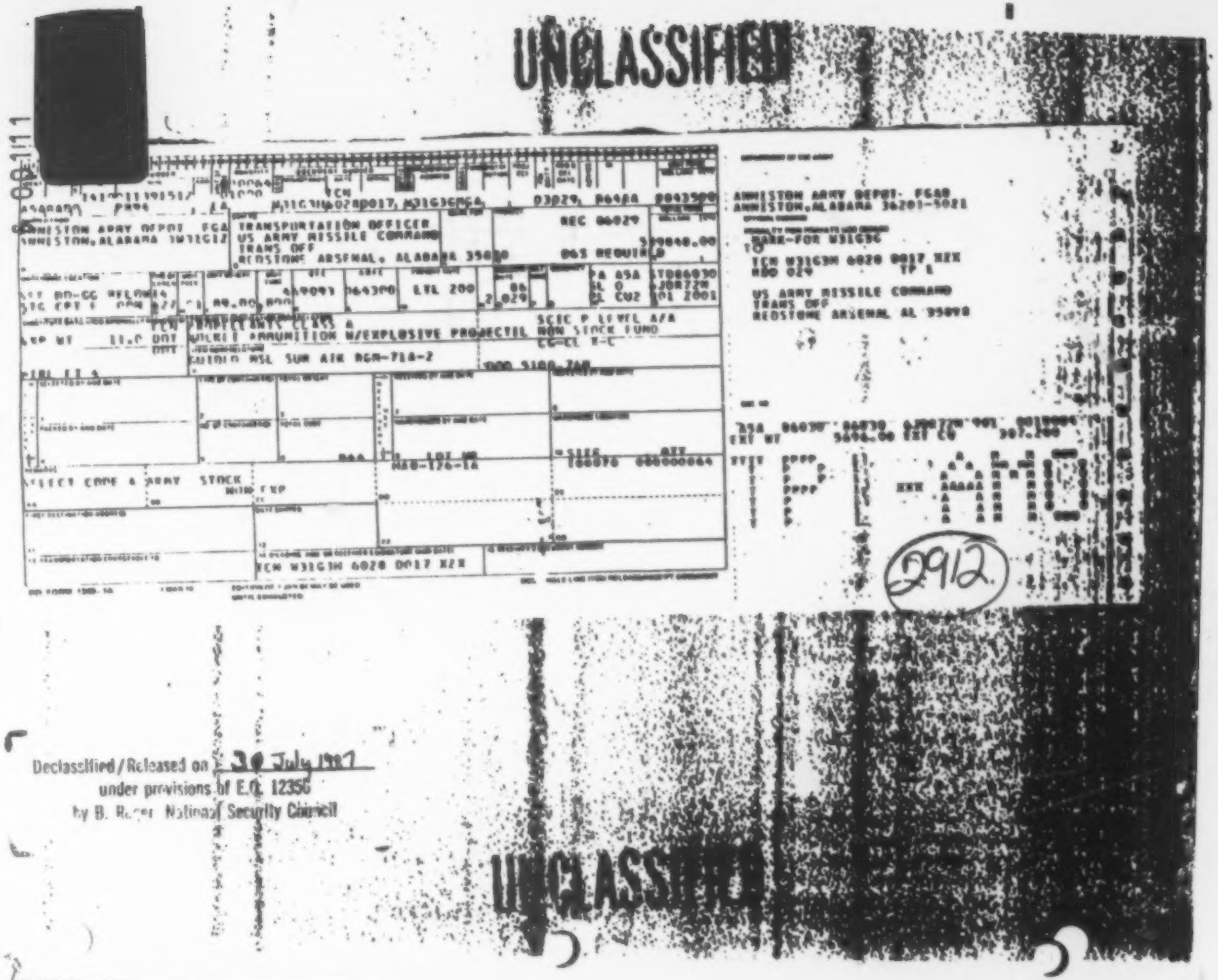
SURVEILLANCE CLEARANCE
SUSP. ARMY ( ) NAVY ( ) [illegible]
CONDITION CODE-
DATE-
SIGNATURE
REMARKS

Declassified/Released on 30 July 1987
under provisions of E.O. 12356
By B. Reger, National Security Council

[illegible] Typed

2911

UNCLASSIFIED



[redacted]

00 1/11 1

141 11191517	01000	TCN M31G3M6020D017, M31G3GMGA	D3029, 0040A	0043500
A59A0A9 PA96	LA			
ANNISTON ARMY DEPOT FGA ANNISTON, ALABAMA IM31G12	TRANSPORTATION OFFICER US ARMY MISSILE COMMAND TRANS OFF REDSTONE ARSENAL, ALABAMA 35080		REC 06029 DGS REQUIRED	570040.00
AIT MD-GG RELOADS SIG CPT F DDM 877	1 08.00 000	649093 064300	LTL 200	2 06 029
			PA A5A SL 0 SL CU2	STD06030 JOR72M 01 2001

TCN
AMPLICANTS CLASS A
ROCKET AMMUNITION W/EXPLOSIVE PROJECTIL
GUIDED MSL SUR AIR RGM-71A-2

SCIC P LEVEL A/A
NON STOCK FUND
CG-CL E-C
DOD 5100.76R

EXP WT 11.0 DOT

PIRL EI A

DAA

LOT NO
MAO-176-1A

SIEC 100070
QTY 000000064

SELECT CODE A ARMY STOCK
WITH EXP

TCN W31G3H 6020 D017 XZX

ANNISTON ARMY DEPOT- FGA0
ANNISTON, ALABAMA 36201-5021

MARK-FOR W31G3G
TO
TCN W31G3H 6020 0017 XZX
RDD 029 TP 1

US ARMY MISSILE COMMAND
TRANS OFF
REDSTONE ARSENAL AL 35898

TP1 XXX AMO

2912

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G 00113

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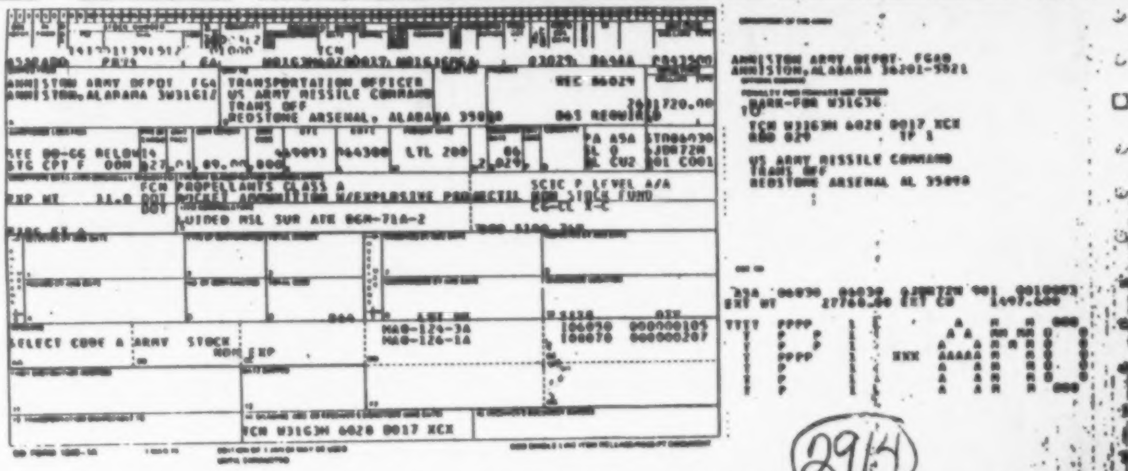

TCN

W31G3M6028 0017 W31G3G6A 03029 B694A

ANNISTON ARMY DEPOT FG4
ANNISTON, ALABAMA 3W31G1

TRANSPORTATION OFFICER
US ARMY MISSILE COMMAND
TRANS OFF
REDSTONE ARSENAL, ALABAMA 35898

WEC 86029

DSS REQUIRED

SEE DD-CG BELOW
STG CPT F DON

LTL 200

PA A5A
SL 0
BL CU2

STD06930
SJD872W
01 C001

FCN PROPELLANTS CLASS A
DOT ROCKET AMMUNITION W/EXPLOSIVE PROJECTIL
DOT

SCIC P LEVEL A/A
NON STOCK FUND
CC-CL X-C

EXP WT 31.0

GUIDED MSL SUR ATK BGM-71A-2

SELECT CODE A ARMY STOCK
NON EXP

MA0-126-3A
MA0-126-1A

106050 000000105
106070 000000207

TCN W31G3M 6028 0017 XCX

ANNISTON ARMY DEPOT FG4D
ANNISTON, ALABAMA 36201-5021

MARK-FOR W31G36

TCN W31G3M 6028 0017 XCX
RDD 029 TP 1

US ARMY MISSILE COMMAND
TRANS OFF
REDSTONE ARSENAL AL 35898

EXT WT 27760.00 EXT CU 1667.600

TPI-AMO

29/4

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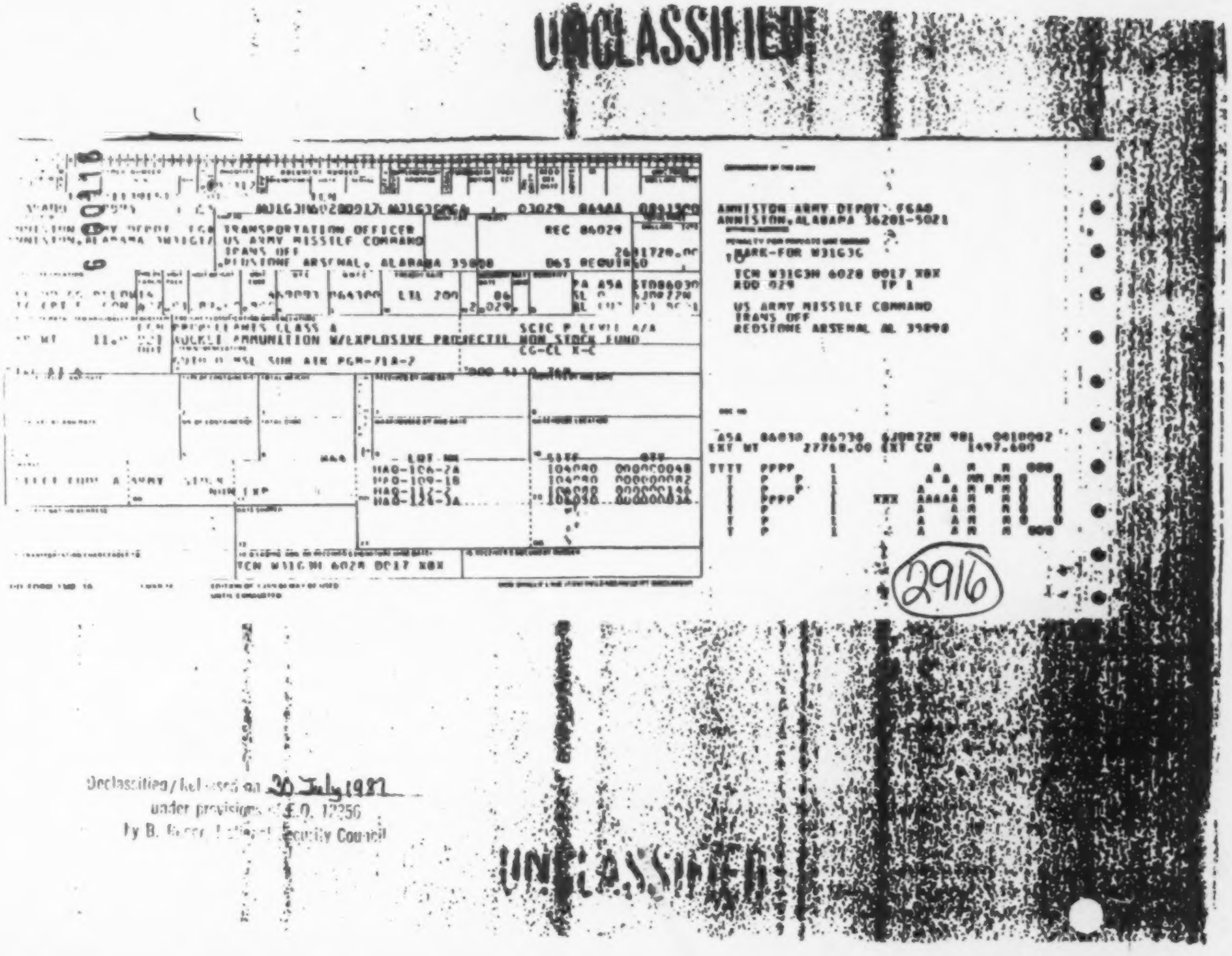
EXHIBIT CWW-44



UNCLASSIFIED

6 00118

ANNISTON ARMY DEPOT FGAO
ANNISTON, ALABAMA W31G1Z

W31G3H6028D017X W31G36G6A 03029 B6AAA 0015C0

TRANSPORTATION OFFICER
US ARMY MISSILE COMMAND
TRANS OFF
REDSTONE ARSENAL, ALABAMA 35898

REC 86029
2601720.00
D65 REQUIRED

692091 864300 LTL 200 06 029
2A ASA STD86030
SJ08772N

PROPELLANTS CLASS A
ROCKET AMMUNITION W/EXPLOSIVE PROJECTIL
SCIC P LEVEL A/A
NON STOCK FUND
CG-CL X-C
MSL SUR AIR PGM-71A-2

NON EXP

LOT NO	DATE	QTY
HAQ-106-2A	104090	00000048
HAQ-109-1B	104090	00000082
HAQ-112-2	106090	00000146
HAQ-126-3A	106038	00000034

TCN W31G3H 6028 D017 XBX

ANNISTON ARMY DEPOT FGAO
ANNISTON, ALABAMA 36201-5021

TO MARK-FOR W31G36

TCN W31G3H 6028 D017 XBX
RDD 029 TP 1

US ARMY MISSILE COMMAND
TRANS OFF
REDSTONE ARSENAL AL 35898

ASA 86030 86730 SJ08772N 9BL 0010002
EXT WT 27760.00 EXT CU 1497.600

TPI - AMO

2916

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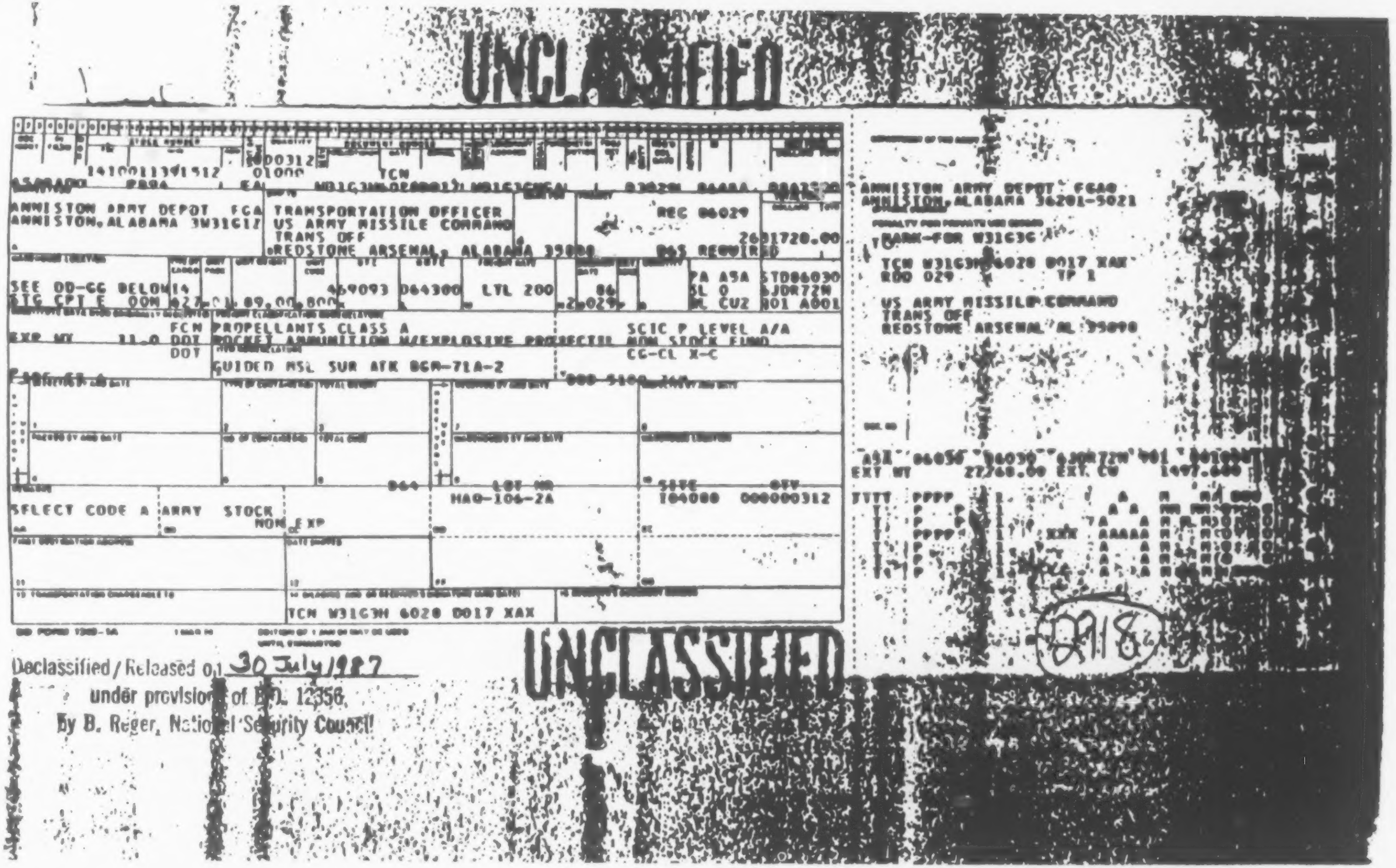
UNCLASSIFIED



UNCLASSIFIED

1410011391512 000312 01000 TCN

A5A PRAA EA W31G3H6020D017 W31G3C 02020 AAARA

ANNISTON ARMY DEPOT FGA
ANNISTON, ALABAMA 3W31G1Z

TRANSPORTATION OFFICER
US ARMY MISSILE COMMAND
TRANS OFF
REDSTONE ARSENAL, ALABAMA 35090

REC 06029

2601720.00

DSS REQUIRED

SEE DD-CC BELOW 14
STG CPT E 00N 027 89.00 800 469093 D64300 LTL 200 86 026029

PA ASA STD86030
SL 0 6JDR72N
CUZ 001 A001

EXP WT 11.0

FCN PROPELLANTS CLASS A
DOT ROCKET AMMUNITION W/EXPLOSIVE PROJECTILE
DOT GUIDED MSL SUR ATK BGM-71A-2

SCIC P LEVEL A/A
NON STOCK FUND
CG-CL X-C

LOT NO HAO-106-2A

SITE 104000 QTY 000000312

SELECT CODE A ARMY STOCK NON EXP

TCN W31G3H 6020 D017 XAX

DD FORM 1348-1A

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ANNISTON ARMY DEPOT FGAO
ANNISTON, ALABAMA 36201-5021

MARK-FOR W31G3C

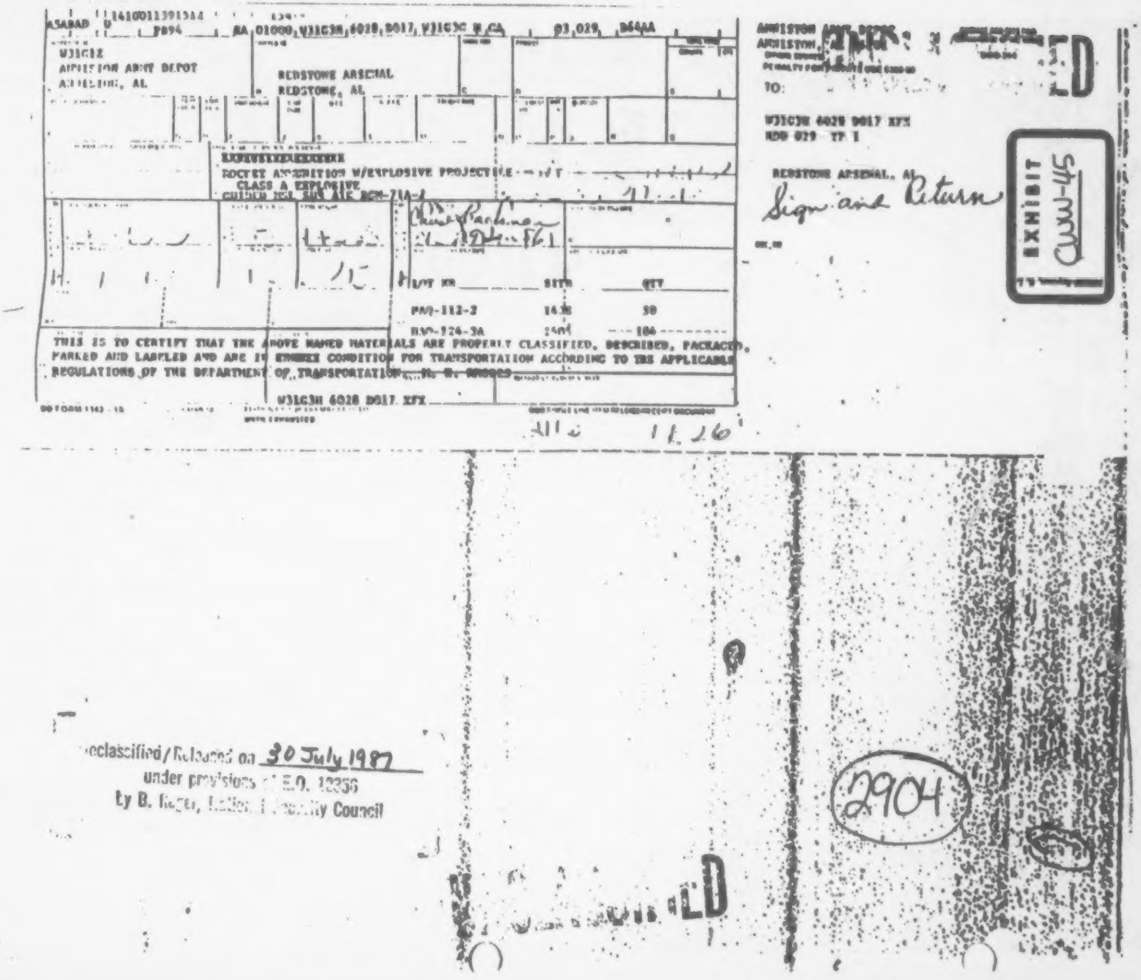
TCN W31G3H 6020 D017 XAX
RDD 029 TP 1

US ARMY MISSILE COMMAND
TRANS OFF
REDSTONE ARSENAL AL 35090

ASA 06030 06030 6JDR72N 001 A001
EXT WT 27768.00 EXT. CU 1497.600

2918

Exhibit CWW-45



ASABAD U 1410011391344 P894 BA 01000 W31G3H 6028 D017 W31G3C 03 029 D64AA

W31G1Z
ANNISTON ARMY DEPOT
ANNISTON, AL

REDSTONE ARSENAL
REDSTONE, AL

ROCKET AMMUNITION W/EXPLOSIVE PROJECTILE
CLASS A EXPLOSIVE
GUIDED MSL SUR ATK BGM-71A-1

Chris Parkinson

PART NO	SITE	QTY
PAQ-112-2	1438	30
BXQ-124-3A	2404	104

THIS IS TO CERTIFY THAT THE ABOVE NAMED MATERIALS ARE PROPERLY CLASSIFIED, DESCRIBED, PACKAGED, MARKED AND LABELED AND ARE IN PROPER CONDITION FOR TRANSPORTATION ACCORDING TO THE APPLICABLE REGULATIONS OF THE DEPARTMENT OF TRANSPORTATION.

W31G3H 6028 D017 XFX

DD FORM 1348-1A

11.26

ANNISTON ARMY DEPOT
ANNISTON, AL
PENALTY FOR PRIVATE USE $300

TO:

W31G3H 6028 D017 XFX
RDD 029 TP 1

REDSTONE ARSENAL, AL

Sign and Return

EXHIBIT
CWW-45

2904

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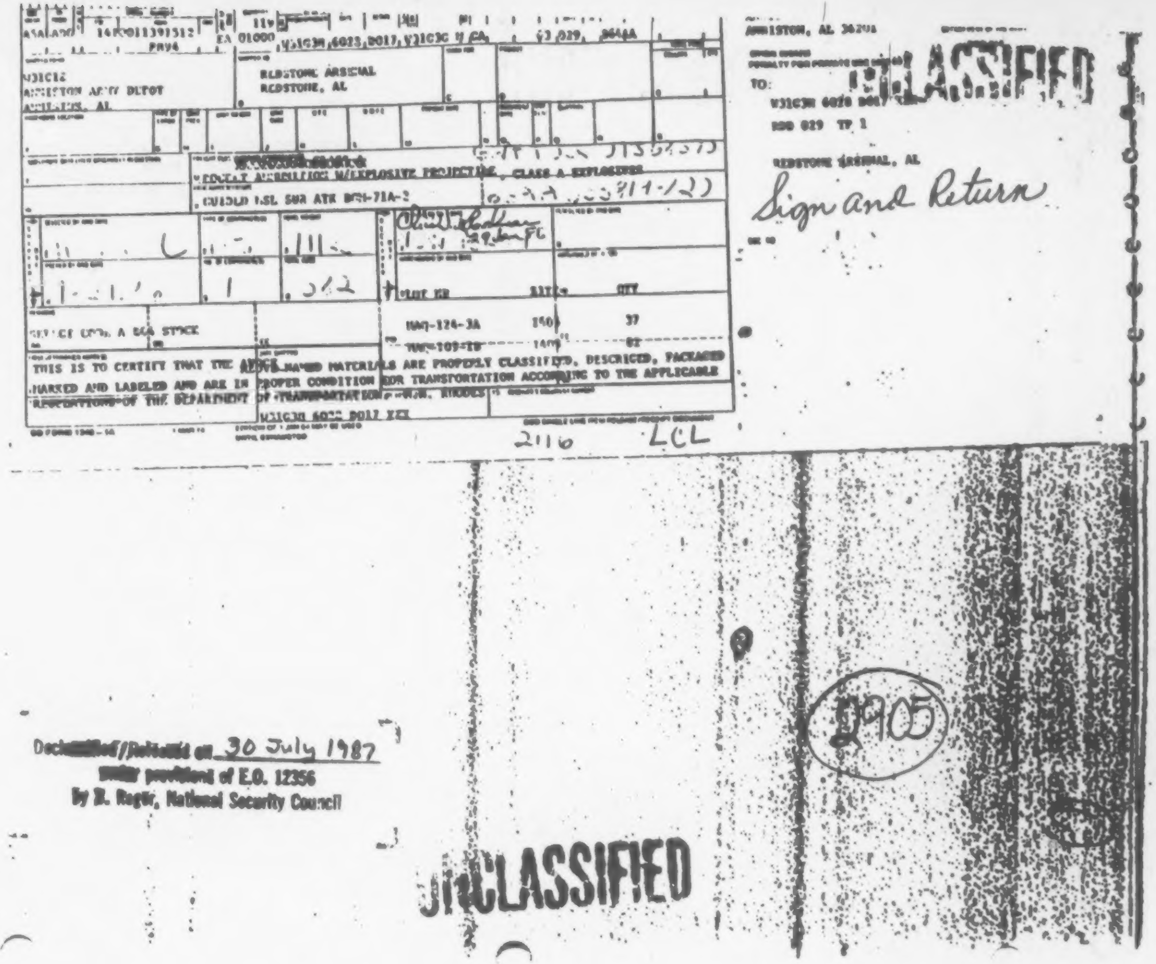
by B. Reger, National Security Council



ASA ADG 14K0011391512 EA 01000 W31G3M 6023 D017 W31C3C Y CA 63 029 96AA

W31C1Z
ANNISTON ARMY DEPOT
ANNISTON, AL

REDSTONE ARSENAL
REDSTONE, AL

ROCKET AMMUNITION W/EXPLOSIVE PROJECTILE, CLASS A EXPLOSIVES

GUIDED MSL SUR ATK BGM-71A-2

29 Jan 86

LOT NR SIZE QTY

HAQ-124-3A	150	37
HAQ-103-18	140	82

SERVICE COND. A DOA STOCK

THIS IS TO CERTIFY THAT THE ABOVE NAMED MATERIALS ARE PROPERLY CLASSIFIED, DESCRIBED, PACKAGED MARKED AND LABELED AND ARE IN PROPER CONDITION FOR TRANSPORTATION ACCORDING TO THE APPLICABLE REGULATIONS OF THE DEPARTMENT OF TRANSPORTATION W.R. RHODES

W31G3M 6023 D017 XXX

DD FORM 1348 – 1A

2116 LCL

ANNISTON, AL 36201

TO:

W31G3M 6023 D017

RDD 029 TP 1

REDSTONE ARSENAL, AL

Sign and Return

UNCLASSIFIED

UNCLASSIFIED

2905

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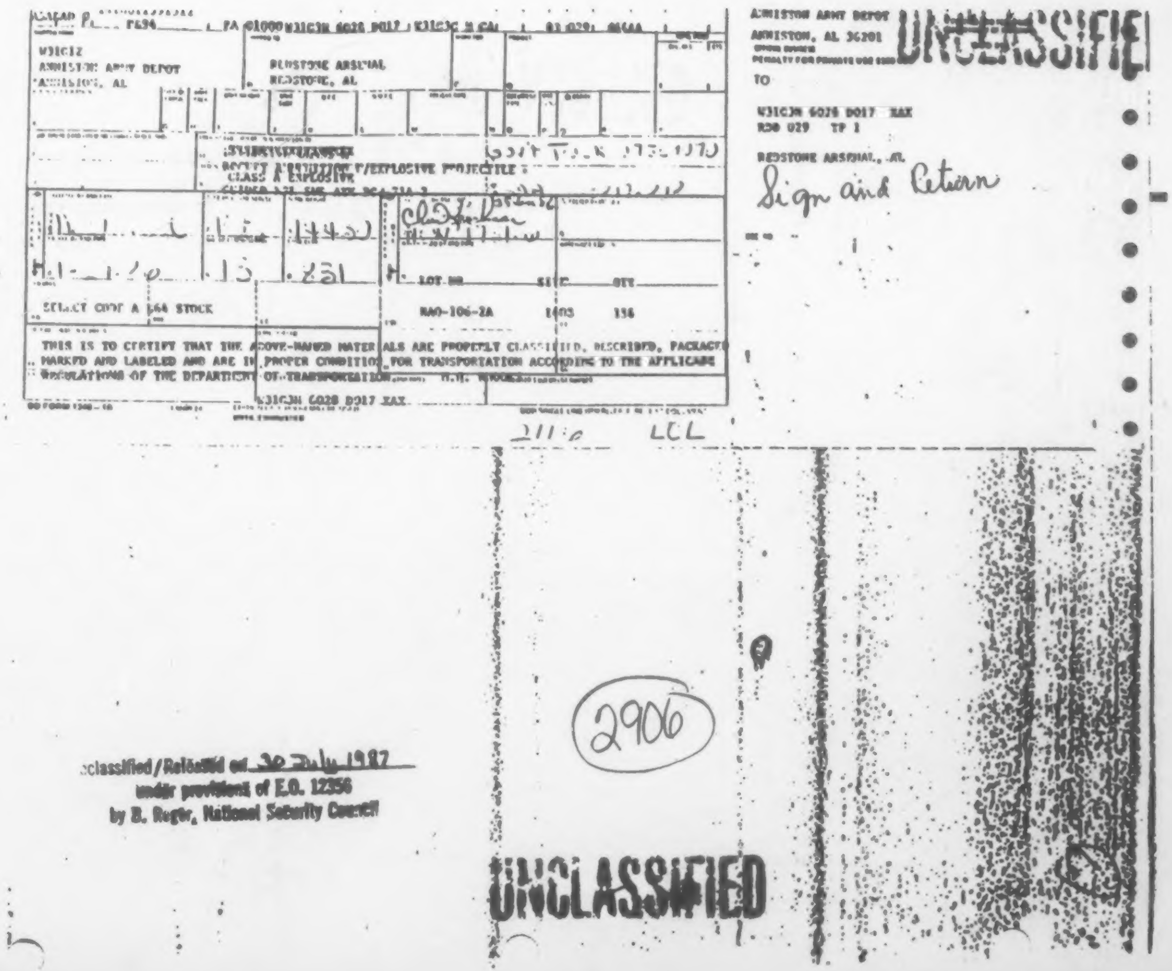
by B. Reger, National Security Council

G 00104



UNCLASSIFIED

ANNISTON ARMY DEPOT
ANNISTON, AL 36201
PENALTY FOR PRIVATE USE

TO

W31G3N 6028 D017 XAX
R30 029 TP 1

REDSTONE ARSENAL, AL

Sign and Return

PA 61000 W31G3N 6028 D017 W31G3C

W31G1Z
ANNISTON ARMY DEPOT
ANNISTON, AL

REDSTONE ARSENAL
REDSTONE, AL

ROCKET AMMUNITION W/EXPLOSIVE PROJECTILE
CLASS A EXPLOSIVE

SELECT CODE A 564 STOCK

LOT NO	SITE	QTY
RAO-106-2A	1403	136

THIS IS TO CERTIFY THAT THE ABOVE-NAMED MATERIALS ARE PROPERLY CLASSIFIED, DESCRIBED, PACKAGED, MARKED AND LABELED AND ARE IN PROPER CONDITION FOR TRANSPORTATION ACCORDING TO THE APPLICABLE REGULATIONS OF THE DEPARTMENT OF TRANSPORTATION

W31G3N 6028 D017 XAX

DD FORM 1348-1A

2110 LCL

2906

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under provisions of E.O. 12356
by B. Reger, National Security Council

W31G12
ANNISTON ARMY DEPOT
ANNISTON, AL

REDSTONE ARSENAL
REDSTONE, AL

03 039, 0046A

ROCKET AMMUNITION W/EXPLOSIVE PROJECTILE
CLASS A EXPLOSIVE
BGM-71A-2

07169170

213-214

3-7-86

LOT NO	SIZE	QTY
MAJ-106-2A	1408	109

SELECT CODE A 364 ARMY STOCK

THIS IS TO CERTIFY THAT THE ABOVE NAMED MATERIALS ARE PROPERLY CLASSIFIED, DESCRIBED, PACKAGED, MARKED AND LABELED AND ARE IN PROPER CONDITION FOR TRANSPORTATION ACCORDING TO THE APPLICABLE REGULATIONS OF THE DEPARTMENT OF TRANSPORTATION. M. R. RHODES

W31G3M 6020 D017 XXX

LCL

UNCLASSIFIED

TO:

W31G3M 6020 D017 XXX

RHD 029 TP 1

REDSTONE ARSENAL, AL

Sign and Return

2907

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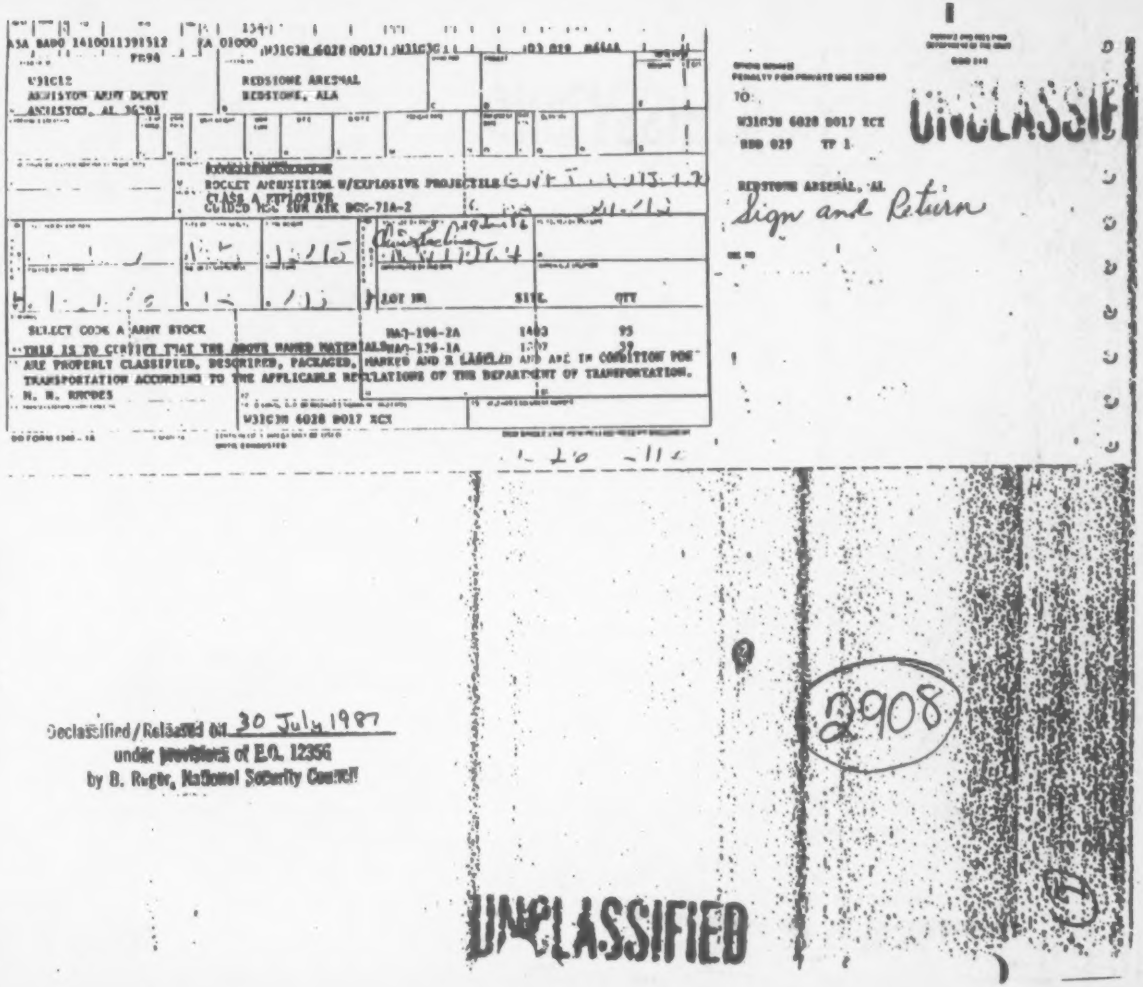
by B. Reger, National Security Council



ASA BAD0 1410011391512 FA 01000 W31C3R 6028 0017 W31G3G D3 029 M64AA

FR98

W31C12
ANNISTON ARMY DEPOT
ANNISTON, AL 36201

REDSTONE ARSENAL
REDSTONE, ALA

ROCKET AMMUNITION W/EXPLOSIVE PROJECTILE
CLASS A EXPLOSIVE
GUIDED MSL SUR ATK BGM-71A-2

LOT NR	SITE	QTY
MAQ-106-2A	1403	93
MAQ-126-1A	1307	[illegible]

SELECT CODE A ARMY STOCK

THIS IS TO CERTIFY THAT THE ABOVE NAMED MATERIALS ARE PROPERLY CLASSIFIED, DESCRIBED, PACKAGED, MARKED AND X LABELED AND ARE IN CONDITION FOR TRANSPORTATION ACCORDING TO THE APPLICABLE REGULATIONS OF THE DEPARTMENT OF TRANSPORTATION.

H. H. RHODES

W31C3R 6028 0017 XCX

DD FORM 1348-1A

TO:

W31C3R 6028 0017 XCX
RDD 029 TP 1

REDSTONE ARSENAL, AL

Sign and Return

UNCLASSIFIED

2908

UNCLASSIFIED

Declassified/Released on 30 July 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

W31G1Z
ANNISTON ARMY DEPOT
ANNISTON, AL 36201

REDSTONE ARSENAL
REDSTONE, AL

ROCKET AMMUNITION W/EXPLOSIVE PROJECTILE, CLASS A EXPLOSIVES
GUIDED MSC SUR ATK BGM-71A-2

111-10

LOT NO — TAO-126-1A
QTY — 154

SELECT CODE A B64 STOCK

THIS IS TO CERTIFY THAT THE ABOVE-NAMED MATERIALS ARE PROPERLY CLASSIFIED, DESCRIBED, PACKAGED MARKED AND LABELED AND ARE IN PROPER CONDITION FOR TRANSPORTATION ACCORDING TO THE APPLICABLE REGULATIONS OF THE DEPARTMENT OF TRANSPORTATION. M.H. RHODES

W31G3N 6020 D017 XDX

UNCLASSIFIED

TO

W31G3N 6020 D017 XDX

RDO 029 TP 1.

REDSTONE ARSENAL, AL

Sign and Return

2909

UNCLASSIFIED

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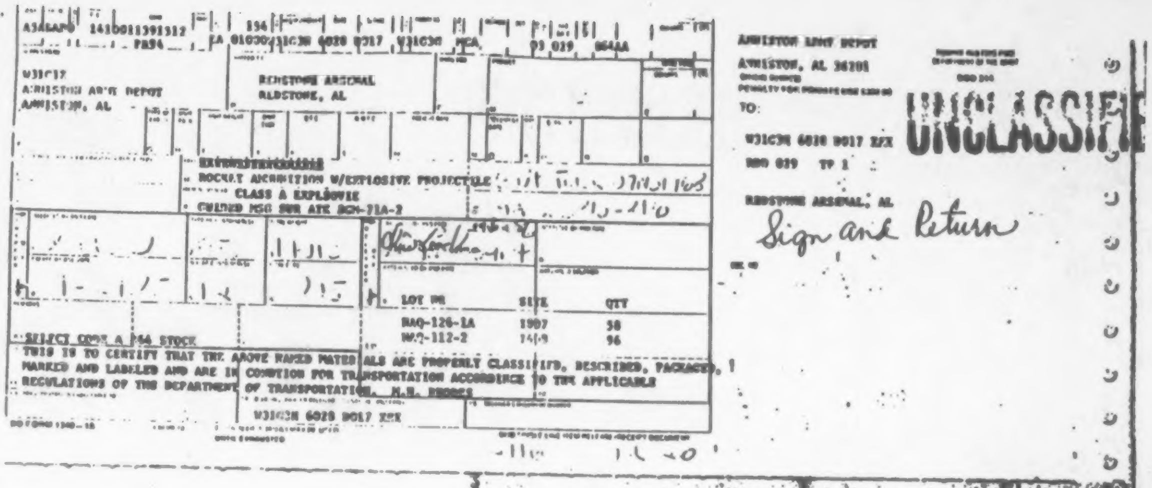
under provisions of E.O. 12356
by B. Reger, National Security Council



A3AAPO 1410011391312 PA94

154 FA 01030/31C30 6028 0317 W31C30 MCA 93 029 064AA

W31C17
ANNISTON ARMY DEPOT
ANNISTON, AL

REDSTONE ARSENAL
REDSTONE, AL

ROCKET AMMUNITION W/EXPLOSIVE PROJECTILE
CLASS A EXPLOSIVE
GUIDED MSG SUR ATK BGM-71A-2

LOT NO	SIZE	QTY
BAQ-126-1A	1907	58
WA-112-2	1419	96

SELECT CODE A F94 STOCK

THIS IS TO CERTIFY THAT THE ABOVE NAMED MATERIALS ARE PROPERLY CLASSIFIED, DESCRIBED, PACKAGED, MARKED AND LABELLED AND ARE IN CONDITION FOR TRANSPORTATION ACCORDING TO THE APPLICABLE REGULATIONS OF THE DEPARTMENT OF TRANSPORTATION. M.H. RHODES

W31C30 6028 0017 XXX

DD FORM 1348-1A

ANNISTON ARMY DEPOT
ANNISTON, AL 36201

TO:

W31C30 6028 0017 XXX
RRO 029 TP 1

REDSTONE ARSENAL, AL

Sign and Return

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2910

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EXHIBIT CWW-46

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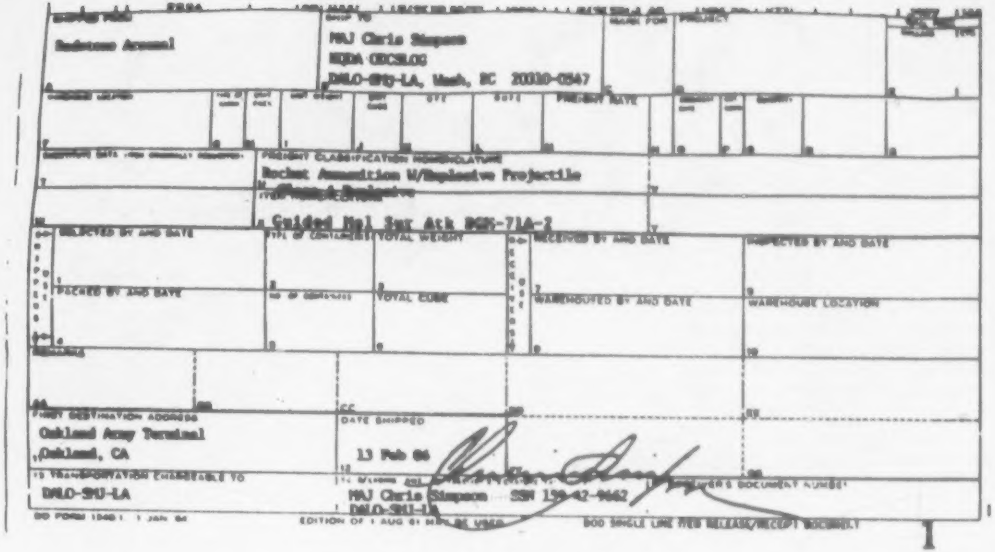
EXHIBIT
CWW-46



SHIPPED FROM
Redstone Arsenal

SHIP TO
MAJ Chris Simpson
HQDA ODCSLOG
DALO-SMU-LA, Wash, DC 20310-0547

FREIGHT CLASSIFICATION NOMENCLATURE
Rocket Ammunition W/Explosive Projectile

Guided Msl Sur Atk BGM-71A-2

SELECTED BY AND DATE

TYPE OF CONTAINER

TOTAL WEIGHT

RECEIVED BY AND DATE

INSPECTED BY AND DATE

PACKED BY AND DATE

NO. OF CONTAINERS

TOTAL CUBE

WAREHOUSED BY AND DATE

WAREHOUSE LOCATION

FIRST DESTINATION ADDRESS
Oakland Army Terminal
Oakland, CA

DATE SHIPPED
13 Feb 86

TRANSPORTATION CHARGEABLE TO
DALO-SMU-LA

MAJ Chris Simpson SSN 139-42-9462
DALO-SMU-LA

DD FORM 1348-1, 1 JAN 84 EDITION OF 1 AUG 81 MAY BE USED DOD SINGLE LINE ITEM RELEASE/RECEIPT DOCUMENT

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2939

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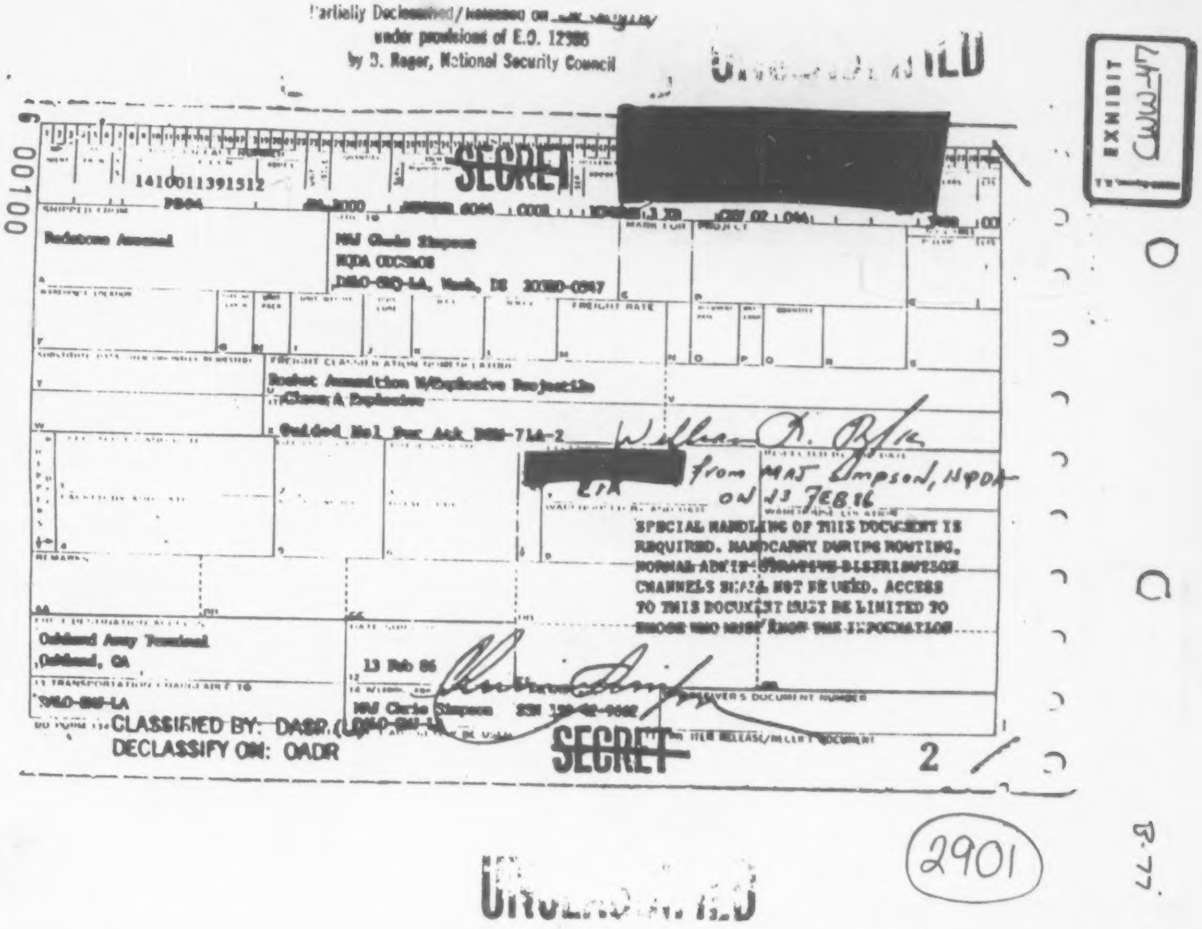

EXHIBIT
CWW-47

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[redacted]

1410011391512

PB04

Redstone Arsenal

MAJ Clarke Simpson
HQDA ODCSROS
DALO-SMQ-LA, Wash, DC 20310-0547

FREIGHT RATE

Rocket Ammunition W/Explosive Projectile
Class A Explosive

Guided Msl Sur Atk BGM-71A-2

William R. Rfk
[redacted] ETA from MAJ Simpson, HQDA
ON 13 FEB 86

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Oakland Army Terminal
Oakland, CA

DALO-SMQ-LA

13 Feb 86

MAJ Clarke Simpson

Clarke Simpson

CLASSIFIED BY: DASR.(DALO-SMQ-LA)
DECLASSIFY ON: OADR

~~SECRET~~

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UNCLASSIFIED

EXHIBIT CWW-48

[redacted]

DEPARTMENT OF THE ARMY
OFFICE OF THE INSPECTOR GENERAL
WASHINGTON, D.C. 20310-1700

D 2

REPLY TO
ATTENTION OF:

DAIG-IO

02 FEB 1987

SUBJECT: Final Report of Investigation Into the Facts and Circumstances Surrounding the Sale and/or Transfer of Missiles, Spare Parts, and Other Related Equipment to Selected Middle Eastern Countries (U)

Secretary of the Army
Headquarters, Department of the Army
Washington, D.C. 20310

I. (U) AUTHORITY

1. (U) Pursuant to the Secretary of the Army's (SA) directive of 28 November 1986, this investigation was conducted from 28 November 1986 through 30 January 1987 by COLs Ned W. Bacheldor and James O. Morton, LTCs Richard L. Whitenton, Robert F. Trotter, and Thomas R. Prickett, MAJ Isaac Brown and Ms. Sandra O. Sieber, United States Army Inspector General Agency (USAIGA). (Exhibit A)

THIS DOCUMENT CONTAINS CENTRAL INTELLIGENCE AGENCY PROPRIETARY INFORMATION. THIS INFORMATION IS MARKED ORCON IN THE CLASSIFICATION PORTION MARKINGS. SPECIAL HANDLING OF THIS DOCUMENT IS REQUIRED. ACCESS TO INFORMATION MARKED ORCON IN THIS DOCUMENT IS LIMITED TO THOSE INDIVIDUALS APPROVED BY THE SECRETARY OF DEFENSE. HAND CARRY DURING ROUTING. NORMAL ADMINISTRATIVE CHANNELS SHALL NOT BE USED.

THE NAMES LISTED BELOW, WHICH ARE FOUND IN THE BASIC REPORT AND/OR EXHIBITS TO THE REPORT, ARE CLASSIFIED SECRET WHEN ASSOCIATED WITH THE CIA.

[redacted]
George Cave
Dewey Claridge
[redacted]
Claire George

[redacted]
Stanley Sporkin
[redacted]

3051

Partially Declassified/Released on 30 July 1987
[illegible]
[illegible]

~~SECRET~~ SPECIAL ACCESS REQUIRED

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CLASSIFIED BY: MULTIPL
Sour
DECLASSIFY ON: OAD

II. (S) MATTERS INVESTIGATED

2. (S) The investigation addressed 10 questions:

a. (S) Issue #1: What was the nature and extent of the Army's participation in the transfer of TOW missiles and HAWK ground support equipment repair parts to the Central Intelligence Agency (CIA)?

b. (U) Issue #2: Did provisions of Army Regulation (AR) 37-60 on determining the price of items to be sold to another government agency under the Economy Act comply with the law?

c. (S) Issue #3: What price should the Army have charged the CIA for the TOW missiles?

d. (S) Issue #4: Why was the CIA charged an incorrect price for the TOW missiles?

e. (S) Issue #5: To what extent were external pressures a factor in charging the CIA an incorrect price?

f. (S) Issue #6: Is it legal for the Army to present the CIA an amended bill for the TOW missiles?

g. (U) Issue #7: Why did the Army provide such an odd number of TOW missiles?

h. (S) Issue #8: Did the sale of HAWK ground support equipment repair parts to the CIA reduce the readiness of U.S. Army air defense forces?

i. (S) Issue #9: Is it possible to upgrade a HAWK missile system using the repair parts sold to the CIA?

j. (U) Issue #10: Did the Army charge the correct price for the HAWK ground support equipment repair parts?

III. (S) BACKGROUND

3. (S) Guidance. On 28 November 1986, LTG Henry Doctor, Jr., The Inspector General (TIG), was called to the office of the Honorable James R. Ambrose, Under Secretary of the Army (USofA), to receive a requirement to investigate the Army's participation in the shipment of arms to Iran. Discussion centered on the transfer of 2,008 TOW anti-tank missiles and several hundred HAWK ground support equipment repair parts from

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Army stocks to the CIA. The primary requirements were to determine the details of Army participation and the basis for financial charges to the CIA. These issues are addressed in Section IV, along with other issues raised in that initial session and developed during the investigation.

4. (S) Methodology

a. (U) This investigation has been the highest priority activity in the USAIGA. Activities included contacts with 95 individuals at nine locations; the taking of sworn, recorded testimony from 27 persons; and review of the few documents that could be obtained. The investigators relied principally on the sworn, recorded testimony of key players.

b. (U) The investigation was limited in scope. It did not include examination of such highly publicized matters as the manner in which funds to pay for the missiles and repair parts were obtained, the disposition of any proceeds from the sale of missiles and repair parts to other countries, and the total involvement of senior government officials outside the Department of Army (DA). Most witnesses were members of Army organizations and activities. Some sworn testimony was taken from non-Army officials, but that was done to help establish the actions of Army officials, and not for the purpose of examining the involvement of other government activities and employees.

c. (S) The Army established a detailed procedure to augment the [redacted] (described in paragraph 15) in September 1984 to provide support to the CIA and other selected agencies. Because the requirements for TOW missiles and HAWK ground support equipment repair parts were considered exceptionally sensitive, most Army officials made no written record of their activities. Because records were sketchy and many witnesses understandably lacked a complete memory of events that transpired about a year ago, some conflicts regarding events and dates could not be resolved.

d. (S) Sources have mentioned existing documents that may be relevant to this investigation but to which the investigators were denied access. Specifically:

(1) (S) An internal CIA investigation reportedly addressed CIA interface with the Army. The CIA report allegedly mentions several Army officials, including one who was said to have received guidance directly from LTC Oliver North, then on the National Security Council (NSC) staff. This investigation produced no evidence that any member of an Army organization received any guidance directly from anyone in the NSC.

(2) (S) The investigators were told the Federal Bureau of Investigation (FBI) may have NSC notes or other documents concerning guidance from LTC North to CIA and/or Army officials on TOW missile prices. This investigation produced no evidence that any NSC official discussed TOW missile prices with any member of an Army organization.

(3) (U) The investigators have also been told the NSC prepared a chronology that is relevant to the investigation. The investigators learned nothing of the substance of that chronology.

e. (U) The fact that this investigation was conducted as expeditiously as possible, concurrent with other independent and sensitive reviews (i.e., President's Special Review Board, Independent Counsel, Congressional Select Committees, FBI, CIA, General Accounting Office, Army Audit Agency) raises the possibility that at some future date, some person or activity will reveal information pertinent to this investigation that is not addressed in this report or that conflicts with this report. Additionally, there may be other documentation or evidence currently available of which the investigators are unaware that could have changed the conclusions in this report.

f. (U) The investigators gave periodic status reports to the Honorable John O. Marsh, Jr., Secretary of the Army (SA), the USofA, and GEN John A. Wickham, Jr., Chief of Staff, Army (CSA). As the investigation neared conclusion, briefings and documents were also given to the Honorable Caspar W. Weinberger, Secretary of Defense (SECDEF). The most significant was a 23 January 1987 summary report, which was based on a draft of this report. The substance of that document has been incorporated into this report. The summary report and other documents used to provide information to SECDEF are at Exhibits AI through AL.

IV. (S) CONSIDERATION OF THE ISSUES

5. (S) Issue #1: What was the nature and extent of the Army's participation in the transfer of TOW missiles and HAWK ground support equipment repair parts to the CIA?

a. (S) Summary and analysis of the TOW missile chronology.

(1) (S) Discussion:

(a) (S) The Army was involved in the transfer of TOW missiles to the CIA by providing that agency with price and

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availability information, converting improved TOWs (ITOWs) to basic TOWs to meet the CIA's requirements for basic TOWs, shipping 2,008 TOW missiles to a location where they could be picked up by the CIA, and billing the CIA for the goods and services delivered. Details of Army involvement in this project, which the Army called Project SNOWBALL, are in the chronology at Exhibit P. The following paragraphs present a summary.

(b) (S) Evidence collected during this investigation showed the Army first became involved in the transfer of TOW missiles to the CIA on Saturday, 18 January 1986. (The CIA agent who was the Agency's principal point of contact with Headquarters, Department of Army (HQDA) testified that he contacted LTG (then MG) Vincent M. Russo, the Assistant Deputy Chief of Staff for Logistics (ADCSLOG), on Friday, 17 January 1986, but this date was refuted by the agent's supervisor and LTG Russo, and all other evidence pointed to 18 January.) On 18 January, LTG Colin L. Powell, then a MG serving as Senior Military Assistant to the SECDEF, gave GEN Maxwell R. Thurman, the Vice Chief of Staff, Army (VCSA), a warning order to be prepared to deliver approximately 4,000 basic TOW missiles to the CIA. The first shipment was to be for 1,000 missiles, with 3,000 more to follow. LTG Powell told the VCSA the project was to be closely held, and to expect "8 to 12 to 36 hours" notice before the first delivery. Based on this guidance, the VCSA personally contacted LTG Benjamin F. Register, Jr., the Deputy Chief of Staff for Logistics (DCSLOG), that same day. Later that day, upon return of the CSA, the VCSA informed the CSA of the tasking. The VCSA also told LTG Powell he had "turned on the switch," and had the [redacted] prepare a memorandum for record (MFR). (Exhibits B-1, pp 2-3; B-2, pp 3-6; B-3, pp 2-3; B-4, p 1; B-26, pp 8-11; B-27, pp 2-5, 10, 13, 14, 16; B-32, pp 2-6; B-33; B-34, pp 4,6; AE)

(c) (S) Upon receipt of the requirement from the VCSA, LTG Register tasked MAJ Christopher Simpson, ODCSLOG's classified program manager, and Mr. John C. Hill, also in ODCSLOG, to determine if the Army could support the requirement. MAJ Simpson reviewed the Army Master Data File (AMDF) and determined the price of the basic TOW missile (model BGM 71A, national stock number (NSN) 1410-00-087-1521) was $3,169. He relayed that information, and the requirement to be prepared to ship 1,000 basic TOWs on short notice to an unspecified customer, to COL James B. Lincoln, the Project Manager (PM), TOW, on 18 January 1986. (Exhibits B-4, p 1; B-5, pp 3-5; B-9, pp 21-24; B-11, pp 5, 10, 13, 26; B-28, pp 6, 7, 29, 32, 35, 49; P3)

(d) (S) During the next week, there were many discussions between representatives of the CIA and ODCSLOG, DA, and between ODCSLOG and the office of PM TOW. Requirements were established for a total of 4,508 missiles. At some point in the discussions the requirement was modified to specify Condition Code "A" (CCA) (serviceable without restrictions) missiles. The CIA stated they did not specifically request CCA but they did want serviceable missiles. The PM TOW determined that 4,508 CCA basic TOWs were not available in depot stocks. When the CIA would not accept ITOW or TOW 2 missiles to fill their requirement, the PM TOW suggested, and ODCSLOG approved, replacing the warheads on 2,500 ITOWs with basic TOW warheads from a stock pile, creating 2,500 extended range basic TOW missiles. (Exhibits B-7, p 13; B-9, pp 5, 22-24, 50; B-11, pp 10-11, 28; B-12, pp 4, 5, 24, 25; B-13, pp 8, 12; B-21, p 6; B-22, pp 3, 5; B-26, pp 21, 31; B-27, pp 19, 23, 26; B-28, pp 68-70, 74)

(e) (S) During this same period, there were many discussions between the PM TOW and ODCSLOG and between ODCSLOG and the CIA about the proper price for missiles. Issues two through six address the various aspects of pricing the missiles. (Exhibit B-34, pp 3, 4)

(f) (S) Based on a verbal request from the CIA, the first shipment of 1,000 basic TOW missiles (with a missile ordnance inhibitor circuit (MOIC) previously installed, model BGM 71A2, NSN 1410-01-139-1512) was taken from inventory at Anniston Army Depot (ANAD) and moved to Redstone Arsenal on 29 January 1986. The missiles were prepared for air movement from Redstone Army Airfield, where they remained for 14 days while the CIA coordinated onward movement. In the meantime, on 30 January 1986, ANAD was directed to prepare to exchange the warheads on 2,500 ITOWs. The exchange actually began on 3 February 1986 and was completed on 28 February 1986. This procedure converted 2,500 ITOWs (model BGM 71C, NSN 1410-01-106-8514) into an equal number of extended range basic TOWs (model BGM 71A1, NSN 1410-01-007-2507). The converted missiles were stored at ANAD pending shipping instructions. (Exhibits B-21, pp 3,5; B-28, 68-70; O; P-1, pp 6,7; P-5; P-6; P-10; P-11; P-12)

(g) (S) On 13 February 1986, the first shipment of 1,000 TOW missiles was signed for at Redstone Arsenal by MAJ Simpson for HQDA and then by a CIA representative. The missiles were loaded on commercial trucks and departed Redstone Arsenal. (Exhibits B-12, pp 26, 27, 29; B-13, pp 32, 37-38; N; P-1, pp 7-8)

(h) (S) On 16 May 1986, the CIA asked HQDA to prepare an additional 508 missiles (identical to those in the first shipment) for shipment by truck from Redstone Arsenal. On 19 May

1986, the missiles departed Redstone on commercial trucks provided by the CIA. (Exhibits B-11, p 43; B-13, pp 37, 38; P-16; P-17; P-18)

(i) (S) The third, and last, shipment under Project SNOWBALL occurred on 3 November 1986, after several conversations between the CIA and HQDA and between HQDA and PM TOW to ensure the shipment consisted of TOWs from the newest lots (see Issue #7 for an explanation on why lots were important). The 500 missiles shipped were extended range (3750 meters) basic TOWs (model BGM 71A1) which came from the 2,500 reworked ITOWs. This left 2,000 reworked ITOWs in storage at ANAD. Again, the missiles left Army control when they departed Redstone Arsenal on commercial trucks provided by the CIA. (Exhibits B-11, p 43; B-22, pp 11, 12; N; O; P-1, p 12; P-19; P-20; P-21; P-22)

(j) (S) Seventeen witnesses were queried about the knowledge they and others possessed on the destination of the TOW missiles. No U.S. Army Missile Command (MICOM) witnesses knew, at that time, that the missiles were being transferred to the CIA. The evidence further indicated that no one then serving in an Army organization or activity knew the ultimate destination of the missiles after they were transferred to the CIA. (LTG Powell, an Army officer, knew the destination, but he was then assigned to the Office of the Secretary of Defense (OSD)). (Exhibits B-1, pp 2, 3; B-2, p 7; B-3, p 4; B-4; B-7, p 10; B-8, p 3; B-9, pp 78, 79; B-10, p 5; B-11, pp 43-46; B-12, p 39; B-13, p 37; B-14; B-15, p 38; B-16, p 27; B-19; B-20; B-21, p 4)

(2) (S) Conclusions:

(a) (S) The Army was first alerted of a requirement to transfer TOW missiles to the CIA on 18 January 1986.

(b) (S) The Army and especially MICOM (PM TOW) and HQDA (ODCSLOG) were deeply involved in planning for and transferring 2,008 TOW missiles to the CIA.

(c) (S) Available evidence showed no one at MICOM knew the CIA was the recipient of the missiles.

(d) (S) Available evidence showed no one then in an Army organization knew the ultimate destination of the missiles.

b. (S) Summary and analysis of HAWK chronology.

(1) (S) Discussion:

(a) (S) The Army was involved in the transfer of HAWK ground support equipment repair parts to the CIA by providing availability data, identifying substitutes when the requested item was not available, consolidating all requested items at one depot, contracting for transportation to deliver the parts from that depot to a location designated by the CIA, and billing the CIA for goods and services furnished. Details of Army involvement in this project, which the Army called Project CROCUS, are in the chronology at Exhibit R. The following paragraphs present a summary.

(b) (S) Army involvement began on 9 April 1986, when the Honorable William H. Taft, IV, Deputy Secretary of Defense, advised the CSA of a requirement to provide 240 line items of HAWK repair parts to the CIA. GEN Wickham subsequently tasked LTG Russo to act as the Army point of contact with the Agency. Still on 9 April 1986, LTG Russo established contact with a CIA representative, who later (10 April) provided LTG Russo a list of 234 repair parts, in varying quantities required for support of HAWK ground support equipment. (Exhibits R-2; R-3)

(c) (S) Over the next 20 days, ODCSLOG coordinated an exhaustive search, involving numerous Army organizations, the Defense Logistics Agency (DLA), and the United States Air Force (USAF), to identify and find the 234 line item numbers (LINs), which consisted of 146 HAWK peculiar lines, 11 lines that ultimately could not be identified, and 77 common items. When requested items appeared unavailable, the search was expanded to determine if the requirement could be satisfied with either a substitute item or the next higher assembly. During this period there was constant interchange between ODCSLOG and the CIA, and LTG Russo provided verbal updates to the VCSA and to the Executive Officers to the CSA and SA. By 29 April, available Army items were consolidated at Red River Army Depot (RRAD), and on 30 April, the CIA was provided availability (in some cases, the quantity available was less than requested) and price data for 221 LINs (11 stock numbers provided could not be identified and 2 were at zero balance). The CIA was given a total cost, to include packing, crating, handling and transportation charges, of $4.4 million. (Exhibits R-4, p 2; R-5; R-6, pp 1-2; S)

(d) (S) On 25 April 1986, the CIA advised ODCSLOG of an additional requirement for two "pre phase II PIP (product improvement program) configured" HAWK radar systems. Review by ODCSLOG, HQ Army Materiel Command (AMC) and MICOM revealed that the only assets in stock were two AN/MPQ-46 high-power illuminator radars, costing $3,088,800 each, purchased by the Iranians before overthrow of the Shah and being held at

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Letterkenny Army Depot pending disposition of Iranian claims. This information was passed to the CIA, which was also advised, on 13 May 1986, that the radars could not be treated as part of the HAWK parts project and would have to be requested separately. (Exhibits B-6, p 41; R-1, p 3; W)

(e) (S) On 16 May 1986, the CIA certified availability of funds in the amount of [redacted] for the purchase of the requested parts, less the radars. On that day, the Army shipped the parts which had been consolidated at RRAD to [redacted] The DLA was directed to ship the 11 items it managed. On 23 May 1986, the CIA confirmed receipt of all items shipped to [redacted] (Exhibits R-6, p 4; R-8; R-9)

(f) (S) On 19 or 20 May 1986, the CIA requested two post phase II (AN/MPQ-57) HAWK radars, a newer version of the AN/MPQ-46, and on 20 May, the CIA certified availability of [redacted] to test, inspect and service the two AN/MPQ-46 radar sets previously identified. According to [redacted] CIA, the CIA requested the newer radars with the intent of trading Israel the two AN/MPQ-57 radars for two Israeli AN/MPQ-46 radars which could then be shipped to Iran. The AN/MPQ-46 radars were checked by Army personnel as requested. AMC also identified two AN/MPQ-57 radars, in depot stocks, which were held pending further instructions from HQDA. On 29 May 1986 MICOM advised HQDA that use of the Iranian owned AN/MPQ-46 radars would have no impact on Army programs but release of the AN/MPQ-57s would affect a scheduled transfer of assets to the U.S. Marine Corps. (Exhibits B-26, pp 70, 93; R-10; R-11; B-23, pp 6-7; R-12; W)

(g) (S) On 2 June 1986, the CIA put the radar transfer action on "hold", a status which continued until 30 July 1986. On that date, the CIA advised ODCSLOG the radars were again a topic of discussion and a decision could be imminent. ODCSLOG began inquiries into release procedures for the Iranian assets (AN/MPQ-46). On 4 August 1986, the Defense Security Assistance Agency (DSAA) informed ODCSLOG that the Iranian assets could not be released as title had been passed to Iran in connection with Iran's $12 billion law suit against DOD. This information was relayed to the CIA on 5 August 1986. (Exhibits B-6, pp 41-43; R-1)

(h) (S) During the 5 August 1986 exchange with the CIA, ODCSLOG was asked to check the current status of HAWK repair parts not available at the time of the original shipment. A few items were found, and on 19 August 1986, ODCSLOG directed freezing of available assets. On 4 September 1986, the CIA provided ODCSLOG a list of requirements for 30 LINs, including added quantities of items previously shipped and items requested but not shipped. Some items on this list were also found and on 5 September 1986 ODCSLOG directed these assets be frozen pending further guidance from HQDA. By a 22 September 1986 memorandum, [redacted] informed the CSA and VCSA of concerns that Project CROCUS [redacted] The Army General Counsel (AGC) reiterated that concern on 10 October 1986 and withheld concurrence in the 8 September 1986 ODCSLOG action memorandum on additional support of Project CROCUS because there was insufficient information on the ultimate purpose and destination of the items in question. On 22 October 1986 the [redacted] sent the SA a memo recommending no further release of materiel for Project CROCUS until details of the project were made available and a legal position established. On 24 October 1986, Mr. Marsh discussed the subject with Mr. Taft. As a result of that meeting, the action was placed on hold and as of 30 January 1987, the parts and radars were still being held by the Army. (Exhibits R-1; R-7; R-13; R-14; R-15; R-16)

(1) (U) The investigators asked twenty-five persons (18 in informal discussions, seven in sworn testimony) about the knowledge they and others possessed on the destination of the HAWK repair parts. There was no evidence any military or civilian member of any Army organization knew the ultimate destination of the repair parts. (Exhibits B-3, p 4; B-7, p 10; B-9, pp 78, 79; B-10, p 5; B-14; B-19; B-20; AM)

(2) (S) Conclusions:

(a) (S) The Army, with MICOM as the principal player in execution and with ODCSLOG, DA, providing guidance and interface with the CIA, was heavily involved in the transfer of HAWK ground support equipment repair parts to the CIA.

(b) (U) The DLA and USAF participated with ODCSLOG in execution to the extent that some of the HAWK ground support equipment repair parts were supplied by their organizations.

(c) (U) Available evidence showed no one then in an Army organization knew the ultimate destination of the repair parts.

6. (U) Issue #2: Did provisions of AR 37-60 on determining the price of items to be sold to another government agency under the Economy Act comply with the law?

a. (U) Discussion:

(1) (U) Economy Act/AR 37-60.

(a) (U) The Economy Act (31 USC Section 1535) stated an agency could order goods or services from another agency if four conditions were met: (1) amounts were available, (2) the transaction was in the best interest of the US Government, (3) the agency to fill the order was able to provide or get the goods or services by contract, and (4) ordered goods or services could not be provided by contract as conveniently or cheaply by a commercial enterprise. The Economy Act also said payment may be made in advance or on delivery and "shall be for any part of the estimated or actual cost as determined by the agency or unit filling the order." The Act further provided that advance payments shall be adjusted "on the basis of the actual cost of goods or services provided." (Exhibit D)

(b) (U) AR 37-60, Pricing for Materiel and Services, 15 October 1985, said standard pricing would provide a basis for reimbursement of Army appropriations and funds from all customers except for Foreign Military Sales (FMS) and Military Assistance Program (MAP). It further said items with a NSN were centrally managed and their standard price was published in the AMDF. (Exhibit C)

(c) (U) In a 2 January 1987 memo, the investigators asked the Office of The Judge Advocate General (OTJAG) if AR 37-60 complied with the Economy Act and if AR 37-60 should have been used as a basis for determining the price of goods transferred to another government agency or if a price based on actual cost should have been used.

(d) (U) In its 7 January 1987 response, OTJAG said: "The term 'actual cost' in the Economy Act refers to direct historical or acquisition cost incurred by the Army in obtaining supplies or equipment. It also includes indirect costs which are significantly related to the furnishing of supplies or equipment to another Federal agency and which are funded from currently available appropriations (examples of such costs include transportation, packaging, labeling, and handling). No statute authorizes the Department of Defense (DOD) or DA to deviate from the Economy Act's actual cost reimbursement requirement. Nevertheless, the Economy Act gave the DOD and DA considerable latitude in determining the proper reimbursement for items transferred to other Federal agencies. Opinions of the Comptroller General recognize that the term 'actual cost' has 'a flexible meaning' and must reflect 'distinctions or differences in the nature of the performing agency, and the purposes or goals intended to be accomplished'."

(e) (U) In its 7 January 1987 opinion, OTJAG also said, "AR 37-60 prescribes a proper methodology for determining the price of items transferred under the Economy Act." OTJAG further said the standard pricing mechanisms prescribed in AR 37-60 "represent a reasonable exercise of the discretion afforded Federal agency heads by 31 USC Section 1535 (b)." OTJAG coordinated its response with the offices of the Army General Counsel, Comptroller of the Army, and (by telephone) the General Counsel, DOD. (Exhibits E; F; AN)

(2) (U) DODI 7510.4/AR 37-60

(a) (U) DOD Instruction 7510.4, Uniform Policy for Charging Accessorial and/or Administrative Costs Incident to Issues, Sales, and Transfers of Materials, Supplies and Equipment, 7 April 1967, said the standard rates set forth in the instruction "shall be applicable" to sales and transfers of all materials to other government departments, agencies or instrumentalities. Actual costs could be charged only if unit price exceeded $10,000. However, the 15 October 1985 version of AR 37-60, in effect at the time of the first two shipments, said "actual or estimated costs may be used when the supplying agency decides that a fairer charge will result for items having a unit value of less than $10,000." (Exhibits C; G)

(b) (U) By a 5 January 1987 memo, the investigators asked OTJAG for the proper reconciliation of these conflicting regulations, as related to accessorial and administrative costs. On 14 January 1987, a reply was received from the Assistant COA for Fiscal Policy, the proponent for AR 37-60, to whom the question had been referred. The reply indicated the 28 July 1986 update of AR 37-60 eliminated the actual cost exception for items under $10,000. This change was based on guidance from DOD that the 15 October 1985 version was not in conformance with DODI 7510.4; the Army should have required and should have been charging 3.5% of materiel costs for accessorial costs on items with a unit cost of less than $10,000. (Exhibits H; I)

b. (U) Conclusions:

(1) (U) Provisions of AR 37-60 on determining the unit price of items to be sold to another government agency under the Economy Act complied with the law.

(2) (U) That portion of AR 37-60 which permitted charging actual costs, in lieu of standard rates, when unit value was less than $10,000, conflicted with DODI 7510.4. COA

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eliminated that conflict when it published an update of AR 37-60 on 28 July 1986.

7. (S) Issue #3: What price should the Army have charged the CIA for TOW missiles?

a. (S) Discussion:

(1) (S) The Army was tasked on 18 January 1986 to be prepared to provide 4,000 TOW missiles, on short notice, to the CIA. Details of this tasking are at Issue #1. (Exhibits B-1, p 3; B-2, p 3)

(2) (S) The tasking for "basic" TOWs was translated in Army terms to mean BGM-71A TOW missiles. On the basis of subsequent discussions with the CIA, HQDA modified the requirement to specify Condition Code "A" (CCA) (serviceable without restriction) missiles. Since all Army stocks of BGM-71As were Condition Code "N" (CCN) (restricted - combat use only), the next best way to meet the requirement was to provide BGM-71A2 missiles (a BGM-71A missile with a Missile Ordnance Inhibitor Circuit (MOIC) installed). However, Army stocks of BGM-71A2s (2,356 on hand) were not sufficient to satisfy the entire requirement (4,508). HQDA then decided to provide 2,008 BGM-71A2s from stock and convert 2,500 BGM-71C (ITOW missiles) to BGM-71A1 by removing the ITOW warhead and replacing it with a basic missile warhead. (Exhibits B-4; B-9, pp 21-24, 25-28, 46, 49-50; B-13, pp 13-14; B-12, pp 4-5, 11, 24)

(3) (S) A price of $3,469 for the missiles was established on or about 27 January 1986 by LTG Russo, ADCSLOG, using the following logic:

(a) (U) Army Master Data File (AMDF) price for BGM-71A = $3,169

(b) (U) Estimated cost of a MOIC and installation = $300

(c) (U) Basic missiles were all the same, regardless of the increased range.

(d) (U) Replacement costs were not applicable under the Economy Act. (Exhibit B-6, pp 6, 10-11)

(4) (S) Actual costs in the amount of $30,691 ($23,191 for the first two shipments, $7,500 for the third) for accessorial expenses associated with the shipments were charged to the CIA. A detailed summary of the original charges for TOW missiles is provided below.

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TOW MISSILE CHARGE MATRIX
(ORIGINAL CHARGES TO CIA)

		COSTS
BGM 71A2		
MISSILES (1,508) (1st and 2d Shipment)		$5,231,252
Unit Price	3,469	
71A	[3,169]	
MOIC	[300]	
ANCILLARY COSTS		23,191
Transportation	4,583	
Labor/Materials	9,901	
Other (Security, TDY)	8,707	
MISSILE MODIFICATION (from ITOW to basic TOW)		377,720
71A2 Missiles (SUBTOTAL)(1st and 2d Shipment)		$5,632,163[1]
BGM 71A1		
MISSILES (500) (3d Shipment)		$1,734,500
Unit Price	3,469	
71A	[3,169]	
MOIC	[300]	
ANCILLARY COSTS		7,500
Transportation	3,383	
Labor/Materials	3,960	
Security	157	
71A1 Missiles (SUBTOTAL) (3d Shipment)		$1,742,000[2]
TOTAL		$7,374,163

NOTES:
1. (S) Amount paid to the Army by the CIA as of 30 January 1987.

2. (S) As of 30 January 1987, the CIA had not paid the Army for the third shipment.

(5) (S) The investigation included an independent price assessment by DAIG investigators, based on appropriate DOD and DA regulations and input from the offices of the DOD and Army General Counsels, to either validate or correct the price the Army charged the CIA. In this assessment, the investigators found: (Exhibits I; J; K; L; M)

(a) (U) Pricing procedures in AR 37-60 called for extracting the item's standard price from the AMDF and adding ancillary charges, when appropriate, to arrive at the total cost

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of the items sold. The application of depot modifications to items in inventory, as was done to 2,500 missiles, was to be treated as a procurement cost, per paragraph 2-2g, AR 37-60, and added to the existing standard price to arrive at the revised standard price. (Exhibit C)

(b) (U) Standard prices for materiel were contained in the AMDF, published monthly by the AMC Catalog Data Activity (CDA) based on input from AMC. AMC had overall responsibility for determining AMDF prices, with the item manager at subordinate commands responsible for price input to the AMDF. (Exhibit AH)

(c) (S) The basis for what the Army should have charged the CIA was:

(1) (U) Construction of the unit price for the first and second shipments of 1,508 missiles (BGM-71A2) should have been based on the latest procurement/AMDF standard price of $3,169 for the basic TOW (BGM-71A) and the cost of the MOIC plus installation cost. The MOIC kits were procured from Hughes Aircraft under contract DAAH01-84-C-0940 at a unit cost of $156.90, and ANAD installation/labor cost was $168 per missile, thus establishing a "should have been charged" price of $3493.90. A summary of the corrected charges for the 1,508 missiles in the first two shipments is provided below:

PRICE CONSTRUCTION

(BGM 71A2 - 1st and 2d SHIPMENT - 1,508 MSLS)

January 1986 AMDF Standard Price (BGM-71A)	$3,169.00[1]
MOIC Kit	156.90
Labor	168.00
Corrected Standard Unit Price for 71A2	$3,493.90

(Exhibit AF)

(2) (S) To meet the CIA requirement, 2,500 ITOWs (BGM-71C) were modified by exchanging ITOW warheads for basic TOW warheads from depot stocks at a depot cost of $377,619.23 or unit cost of $151.05. The original warhead cost of $358.74 for the 500 missiles shipped was computed by applying the weighted average, as specified in AR 37-60, to three lots of warheads of various quantities and prices. The same procedure as above was used to arrive at the current unit price of $208.74 for the basic TOW warhead, which replaced the ITOW warhead. A summary of the corrected charges for the last 500 missiles transferred to the CIA is provided below: (Exhibits C; AF; AG)

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(BGM 71A1 - 3rd SHIPMENT - 500 MSLS)

January 1986 AMDF ITOW Standard Price (corrected)		\$8,069.00[1/2]
Labor Cost for Warhead Change		151.05
Basic TOW Warhead		208.74
	Subtotal	8428.79
Credit for ITOW Warhead (reused in ITOW production)		<358.74>
Corrected 71A1 Unit Price		\$8070.05

[1] Price indicated is the most accurate possible at the time of investigation and accounts for mathematical and obvious errors in the methodology used. The pricing procedures, as reflected in this report, are in accordance with AR 37-60. Due to the general nature and complexity of the regulation and the lack of implementing instructions at intermediate levels of operation, changes in the procedures may be required.

[2] The January 1986 AMDF price of \$8,875 for a BGM-71C, NSN 1410-01-106-8514, was based upon input from the 16 July 1985 TOW PM annual review forwarded to the TOW Item Manager in the Missile Logistics Center (MLC) on 29 August 1985. The figure transmitted to MLC was extracted from the wrong line of the form used by PM TOW to compute cost and included nonrecurring and unfunded costs not authorized in computation of standard price. The figure transmitted to MLC was \$8,619, the total FMS sales price, and in fact should have been \$8,069, the base FMS price. Before the 2 October 1985 submission to CDA, the item manager added another 3% surcharge not authorized by AR 37-60. (Exhibits L; AF; AO; AP; AQ)

(3) (S) Ancillary costs were computed IAW a provision in AR 37-60, dated 15 October 1985, that allowed for the use of actual packing, crating, and handling (PCH) costs for items with a unit price under \$10,000. However, that method was contrary to guidance in DOD Instruction 7510.4 dated 7 April 1967. Based on DOD guidance, an update of AR 37-60, dated 28 July 1986, eliminated the provisions for use of actual costs for PCH for items under \$10,000 each. Based on this DOD guidance and the amended version of AR 37-60, and with the support of OTJAG and COA opinions, the investigators found the CIA should have been charged 3.5% of the hardware cost for PCH. (Exhibits C; G; I)

(4) (S) The CIA was charged \$377,619.23 for labor costs to convert 2,500 ITOWs to basic TOWs. The individual missile price that should have been charged for the last 500 missiles shipped includes \$75,523.85 of the total labor costs. The remaining \$302,095.38 is still a valid cost to the CIA

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because all 2,500 missiles were converted in February 1986. A summary of what the Army should have charged the CIA is provided below. (Exhibits P-14; P-15)

CORRECT TOW MISSILE PRICE
IAW AR 37-60

Missile Hardware (1,508) (BGM 71A2) (1st and 2d Shipments)	$5,268,801.20[1]
Packing, Crating and Handling Costs for the BGM 71A2s	184,408.04[2]
Missile Hardware (500) (BGM 71A1) (3d Shipment)	$4,035,025.00[3]
Packing, Crating and Handling Costs for BGM 71A1s	141,225.87[2]
Modification Cost for Remaining 2,000 Missiles	$302,095.38[4]
Total	$9,931,555.49
Total Shortfall	<$2,557,392.49>

Notes:
1. (U) AMDF price of $3,169 for BGM-71A plus actual cost of $324.90 for the MOIC kit and installation cost.
2. (U) Represents 3.5% of the hardware cost.
3. (U) Based on a corrected BGM 71A1 unit price of $8070.05.
4. (U) Depot modification cost for 500 missiles included in the missile hardware (500) price is $75,523.85.

(5) (S) Conclusions:

(a) (U) The Army should have charged $3,493.90 each for 1,[redacted] missiles (first and second shipment) and $8,070.05 each [redacted] remaining 500 (third shipment).

(b) (U) Ancillary costs should have been charged at the rate of 3.5% of hardware costs, to comply with DODI 7510.4. The actual amount charged for ancillary costs was inconsistent with DOD policy because provisions of AR 37-60 dated 15 October 1985 were contrary to DOD Instruction 7510.4.

(c) (S) The CIA should have been charged $302,095.38 to recover the cost of modification to missiles modified to support the requirement but not shipped.

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(d) (U) The PM TOW and MICOM used incorrect procedures when developing the Army standard price, published in the AMDF, for ITOW (BGM-71C) missiles.

8. (S) Issue #4: Why was the CIA charged an incorrect price for the TOW missiles?

a. (S) Evidence:

(1) (S) GEN Thurman described receiving the tasking to provide TOW missiles from LTG Powell on 18 January 1986. GEN Thurman said he inquired of LTG Powell, "You're talking about vanilla TOWs?" and LTG Powell responded, "Yeah. I'm talking about vanilla TOWs." GEN Thurman asked LTG Powell if he would receive anything in writing on the mission (indicating he had no written document at the time) but did not recall LTG Powell's response. (Exhibit B-2, p 3)

(2) (S) LTG Powell testified that throughout the fall of 1985 interlocutors from outside DOD questioned him regarding TOW prices. He contacted DSAA and was told the price of a TOW missile was $10-11,000. He perceived an emerging idea of providing TOW missiles to Iran. In reference to the sale of TOW missiles to the CIA, he said, "over the course of the fall and then after the decision was made in January (1986) and after the initial transactions took place, that price kept floating back and forth..." He said it was a function of whether you priced it out as an FMS contract, which was clearly not the right way to do it." It was "always clear that we were using the Economy Act. And so the price floated back and forth over a period of weeks and months for that matter, both before the decision and after the decision." It went "everywhere from $4,000 to $10,000. And maybe even a tad higher." Concerning his conversation with Vice Admiral John M. Poindexter, National Security Advisor, LTG Powell added, "over the course of the fall and winter, we were talking about numbers that were floating from $10-11,000 down to 4 or 5 or 6 thousand." When the cost got below $4,000, he said, "I was quite surprised that it went that low because all the while we had been talking about something higher than 7, 8, 9...." He said LTG Russo reported to him on a couple of occasions "there's a way to do this and the cost will come in lower." He told LTG Russo to recover the cost of the missiles and services and to ensure the Army was "not out one dollar." He said he had conversations with Admiral Poindexter and maybe LTC North about price but his only discussions on price within the Army were with LTG Russo. He kept the Secretary of Defense informed on the status of LTG Russo's discussions with the CIA. There was interest from Admiral Poindexter and/or LTC North in what the

price should be and in getting the price lower but he never felt pressure to get the price lower. LTG Powell said he believed LTG Russo was also receiving inquiries from the NSC or through the CIA about getting the price lower. When the price came in at around the $4,000 point that was what LTG Powell's NSC contacts had said all along that it should have been. He assumed the NSC had been pressing him to justify the higher estimate ($10,000) because they had to explain it to the buyer. He knew of no money that would be going anywhere but to the Treasury of the United States. The context in which he was answering questions and giving guidance to LTG Russo had nothing to do with trying to get the cost low in order to make money available for some nefarious purpose. His total mindset was that all the money, regardless of the amount, would be paid to the Army and the buyer would pay only for TOWs, not TOWs plus some additional amount of revenue that would be used for another purpose. With respect to the CIA's interaction with the Army regarding cost, LTG Powell stated, "I was aware that General Russo was working with the CIA to determine what the cost would be." He gave LTG Russo no direction to keep the price down but "... as time progressed the numbers kept floating back and forth every time I talked to LTG Russo and they were always floating downward." (Exhibits B-1, pp 2-10, 14; B-24, pp 3-4)

(3) (S) Upon being told of the mission, LTG Register tasked MAJ Simpson to determine if the mission was supportable and tasked Mr. John Hill, Logistics Support Office, ODCSLOG, to provide the status of TOW missiles, worldwide. LTG Register was briefed by Mr. Hill concerning the 30 September 1985 status of the basic TOW (71A), ITOW (71C), and TOW 2 (71D). He recalled that conversation centered on the basic TOW (71A) but did not recall if MAJ Simpson was in the room when Mr. Hill provided the information. On 20 or 21 January 1986, LTG Register passed responsibility for the action to LTG Russo, [redacted] LTG Register's subsequent involvement was limited to receipt of periodic status reports from LTG Russo. He was not involved in any pricing discussions but had a general knowledge of the requirement for a warhead change on the ITOW. It was his understanding that the price to be charged for the missiles was the price of the basic TOW (71A) plus the cost of the MOIC modification. (Exhibit B-4, pp 1-2)

(4) (U) Mr. Hill confirmed that he was called to the office one Saturday by LTG Register, who wanted to know where TOW missile assets were located, by type and condition code. He did not remember specifically when he was called in other than that it was in the January to March time frame. Using the 30

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September 1985 Missile Distribution Plan (MIDP), he told LTG Register where TOW missile assets were, worldwide, and condition codes he was aware of. He said LTG Register wrote down approximately four major locations where the Army had TOWs stored, recording it by missile type, NSN, and model number. He did not recall a price discussion. (Exhibit B-5, pp 3, 5-6)

(5) (S) LTG Russo testified that he believed his initial involvement was Monday of the first week (20 January 1986) and that MAJ Simpson told him the price of the BGM-71A missile was $3,169. He knew of no exploratory actions on TOW missile pricing or availability before the Army's initial involvement on 18 January 1986. He recalled no conversations or meetings with [redacted] (CIA) prior to 20 January 1986. He did recall meeting with [redacted] during the week of 20 January 1986 and discussing the removal of markings from the TOW boxes, the type of aircraft to be used, how many missiles would fit on a pallet, etc. He said he did not deal in terms of Condition Code "A" or "N" until "about two weeks ago" (approximately 1 December 1986). However, he was told by MAJ Simpson that a safety related modification to the basic TOW was required. The modification was the addition of the MOIC, which MAJ Simpson told him would cost $300. In recall testimony, LTG Russo said he did not know the addition of the MOIC converted the 71A model to a 71A2 model, and if previous testimony indicated differently, it was incorrect. Also, he did not know there was a price difference, except for the $300 cost of the modification. He said LTG Powell gave him no specific guidance on missile pricing but did tell him, "make sure that the Army doesn't get screwed in the process." LTG Russo added, "I was torn on one end, don't screw the Army, on the other hand, Economy Act says actual costs. I couldn't find the difference between these three basic missiles that we were transferring and so ah -- I'm back to that same point." He told MAJ Simpson to impress upon everyone to collect the costs associated with the missile. LTG Russo said he recalled only one telephone conversation with LTG Peter G. Burbules, then a MG in command of MICOM, concerning this transaction. He said LTG Burbules talked about a "significant price difference." He further discussed their conversation, saying that LTG Burbules "...alluded to the fact that the missile being provided was a more expensive missile, and I kept asking the question, 'Is it or isn't it a basic TOW?' The answer was, yes." He said whatever LTG Burbules was talking about fell into that category of basic TOW. That's where he had a fundamental block in communicating with LTG Burbules. He said he did not know if their conversation involved the ITOW missile. "I think--you know--had we gotten to the stock number level I think it would have been reasonable for me to have somehow

challenged that more firmly with the folks, in terms of how we got from thirty-four sixty-nine to eight thousand and change. I didn't do that." He told LTG Burbules it just did not make sense having a basic TOW that cost $3,169, adding a MOIC for $300, and charging more than $3,469. LTG Russo added, "...what we were taking was some missiles that had already gone through that process of the basic 71A, adding the $300 MOIC to it, and coming up with this. And my judgement at that time was a 71A with a MOIC applied. Now the fact that it is a 71A2 (he apparently believed 71A2 was also a model number for a basic TOW), I really didn't ascribe anything to it, and I frankly discounted the eight thousand figure." He did not recall any TOW missile cost or requirements discussions with LTG Powell prior to 18 January 1986. LTG Russo initially did not remember discussing any variances in price with LTG Powell other than $3,169 and $3,469. He subsequently recalled a conversation with LTG Powell during which he may have told LTG Powell there was a more significant price involved which could go as high as $8,000. He said he may also have related the MICOM pricing concerns to LTG Powell but told LTG Powell the price should stay at $3,169 or something like that. LTG Russo did not recall having told LTG Powell, "There's a way to do it for less money." LTG Russo said his memory was a little "fuzzy" on the conversations with LTG Powell but he believed that during one of the conversations a working figure of around $6,000 as a cost was brought into the conversation by LTG Powell. LTG Russo added that he may have given the CIA an estimated cost of $6,000 per missile, which would have included all costs associated with the project, such as missile cost, transportation, security, warhead change, etc. He did not recall anyone from the CIA telling him the $6,000 price was too high, and said at that time he didn't know who LTC North was. Also, no one told him that the NSC was interested in getting the price lower. In explaining the price determination he said the Army had a certain number of basic TOW missiles with an AMDF price of $3,169 to which a MOIC had been added for $300 making the price $3,469. He said, "I knew $3,169. I knew $300 for the MOIC which made it $3,469 and I don't ever remember another number after that." He referred to the Economy Act, AR 37-60 (table 2-1), and used common sense to arrive at a price of $3,469. "Now, if the records reflect I was wrong, I made that mistake." On 20 or 21 January 1986 he advised [redacted] (CIA) the price was $3,169. A day or so later the MOIC issue came up and he advised [redacted] the price would be $3,469. The Army told the CIA what the price would be, not the other way around. There was no haggling and the CIA did not ask him if he could find a way to get the price to a lower level. He said the Army gave them a price and that was acceptable to the CIA. He added that was when he believed [redacted] said, "Well, that keeps us inside the 25

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million window." He added that [redacted] was not upset with the $300 price increase for the MOIC. He believed the source of funding to pay for the project was money appropriated by Congress for the CIA. He had no contact with LTC North or other NSC representatives and did not know the NSC was involved. (Exhibits B-6, pp 5-7, 9-12, 20-21, 29-30; B-7, pp 2-4, 9, 13, 16, 22, 27-31; B-27, pp 2-3, 5-7, 10, 13, 15, 18, 21-24, 28-32, 34)

(6) (S) LTG Burbules testified that he was under the impression the transfer was an FMS transaction with country "X". He did not know at the time that there was one price for FMS transactions and a different price for Economy Act sales. He said COL Lincoln, PM TOW, advised him that he believed the TOW price "directed" by ODCSLOG was excessively low because the replacement cost would be substantially higher. COL Lincoln did not discuss with him a different missile stock number, condition codes, or AMDF prices, nor did he mention that the requirement had been elevated from basic TOWs to 71A2 missiles. He said, "I was told by COL Lincoln the situation in general terms; that we were selling a TOW missile priced at about $3,000 but that to replace that missile, that perfectly good tank killer, by current production missiles would be, you know, $8,000; substantially more than the old price. And I felt that we should charge the replacement value. And that's what I told LTG Russo. LTG Russo apparently decided otherwise. We were told by DA DCSLOG that would be the price that we charge and in my mind that was a Headquarters, Department of the Army decision and the matter was closed." He did not advise LTG Russo that a modified ITOW would still be a basic TOW. He did not know the missiles were being transferred to the CIA. (Exhibit B-8, pp 3-9, p 11, pp 17-18, and p 21)

(7) (S) MAJ Simpson testified that his initial knowledge of and involvement in the transaction was on Saturday, 18 January 1986, when he was called to the office to meet with the DCSLOG. He did not discuss TOW missile pricing prior to that time, even on an exploratory or "what-if" basis. LTG Register told him approximately 4,000 basic TOWs were required right away and his (MAJ Simpson's) task was to determine if the mission could be supported. MAJ Simpson recalled being told by LTG Register that either the CSA or VCSA had said a minimum number of people were to be involved and minimal records were to be kept. Mr. John Hill gave him a stock number for the basic TOW missile that Saturday morning (18 January 1986). Having the stock number, MAJ Simpson checked the January 1986 AMDF and determined a price of $3,169. He passed the stock number to COL Lincoln and by the end of the day COL Lincoln told him he could support the mission with the stock number MAJ Simpson had provided him at a

cost of $3,169 per missile. COL Lincoln caveated his response by saying that none of his professionals were available at the moment (to verify the information he provided). On 20 January 1986, [redacted] (CIA) established the requirement that the missiles be in Condition Code "A". MAJ Simpson was certain that he passed the change in the requirement to COL Lincoln or his Deputy, Mr. George Williams, "the minute I got it from the agency." Subsequently, the price of $3,169 was determined to be inaccurate because that price was for a missile which was not in condition code "A". On 27 January 1986, Mr. Williams, Deputy PM TOW, told MAJ Simpson that to put the missiles in condition code "A", the installation of a MOIC was required. Mr. Williams quoted a price of $300 to install the MOIC. MAJ Simpson and COL Lincoln agreed that adding a MOIC to a basic TOW to bring it to condition code "A" would raise the total price to $3,469. When he was told of the need for a $300 price increase, it was he, not LTG Russo, who made the decision and advised the CIA Comptroller that the new price was $3,469. There was never an argument from the CIA that the price was too high. The Army advised the CIA of the price; the CIA confirmed the price; and there was no bartering. After the CIA was told of the increase to a price of $3,469, they were never given any other price. It was subsequently determined that not enough MOICs were available to make the conversion. The CIA was offered ITOWs instead, but refused them. Mr. Williams suggested converting (downgrading) ITOWs to complete the mission within the required time but added that the ITOW was a more expensive missile and would cost the customer more. MAJ Simpson said he would not tell the DCSLOG more money was required and that someone in the PM TOW office would have to do so. He said it was easier for MICOM personnel to explain why they had not provided correct information than it was for him to do so. He added that he believed "they sure as hell could have done it right the first time." He speculated that his comment was what led to the conversation between LTG Russo and LTG Burbules. In late November 1986, MAJ Simpson met with COL Lincoln; they determined the $300 price for adding the MOIC was incorrect because it did not include a labor charge. Concerning the price of the missiles, he said the only persons in MICOM or the PM TOW Office that he dealt with were COL Lincoln, his Deputy (Mr. George Williams), and Chris Leachman. He said he did not discuss pricing of the basic missile with Mr. Leachman, but did discuss the incremental cost of adding the MOIC. Mr. Williams did not tell him that missiles with a MOIC had a different NSN and he did not know at the time that the AMDF listed a different stock number and price for a basic TOW with a MOIC installed. Additionally, Mr. Leachman did not tell him there was a different NSN or a different AMDF price for a basic TOW with MOIC. MAJ Simpson added that he did not know the NSN for the basic TOW differed from the NSN for the basic TOW with MOIC until around Thanksgiving, 1986. Additionally, he did not know that Anniston Army Depot had been installing MOICs on basic TOWs since 1981 or 1982. MAJ Simpson was asked about the DD Form 1348-1 he signed on 13 February 1986 for 1,000 BGM-71A2 TOW missiles, NSN 1410-01-139-1512, priced at $3,469 each. He said that while he was at Redstone Arsenal, Mr. Leachman gave him a blank form (DD Form 1348-1) and asked him to fill it out. MAJ Simpson provided everything on the top line of the form except the "Stock or Part Number." Explaining why he signed for missiles of a type and with an NSN other than what was requested, MAJ Simpson said he had not taken his notebook with him and did not have "the foggiest idea what stock number I was signing for that morning." He said he signed the receipt at about 0130 or 0200 in the morning. He denied having taken with him (from Washington to Redstone Arsenal) a draft DD Form 1348-1. Prior to the first delivery of missiles to the CIA, COL Lincoln notified MAJ Simpson that the price was too low because the Army could not replace TOW missiles with ITOWs or TOW 2s for the price being charged. He thought COL Lincoln said the price should be approximately $9,000. MAJ Simpson replied that the AMDF price was the correct price to be charged for an item no longer in production. In later testimony describing that conversation, he said, "... we had already reviewed that issue and killed it with the regulation." He reported COL Lincoln's call to LTG Russo, who told him to get the lawyers involved because he (LTG Russo) too thought the price was too low. At that time, or perhaps sooner, LTG Russo told him he thought the price was about $6,000. MAJ Simpson did not know where LTG Russo got that figure. He said LTG Russo studied AR 37-60 and told him that it was a terrible price ($3,469), but "we're fixed." He said that LTG Russo felt like COL Lincoln did and wasn't happy with the decision to charge $3,469. That was the last time he and LTG Russo discussed TOW missile pricing. He said he never went back to the CIA for more money. In late May 1986 (after completion of the ITOW conversion), Mr. George Williams advised MAJ Simpson that an error had been made and missiles which had been converted (from 71C to 71A1) were still in Condition Code "N". MAJ Simpson replied, "...well, does that affect, you know, we'd already had our second mission and the third one was unscheduled, there was no fixed date anymore for the third one, just that it was going to happen sometime in the year. And in my closing days, I said, well, George, I said, you'll have to bring that issue up when they get ready to do the third shipment, I said, because as far as I'm concerned, I said, I don't have any problem with you charging more for that. I said that was something you didn't know about and I said, to me, you know, we've asked them before on a third shipment, that's a new, kind of a new project. And, but I didn't know there wasn't any fixed date or schedule, and in fact [redacted] was getting ready to leave to go overseas at the same time, and he said, there may not even be a third shipment, said that may be all that we've asked for." [IG NOTE: During the conversion process, Anniston Army Depot queried the PM TOW office as to which missiles to use and were told by Mr. Les Alkenberg that it didn't matter. As a result, Condition Code "N" BGM-71C missiles were pulled from stock for conversion to 71A1. Five hundred of these missiles were subsequently transferred to the CIA in the third shipment. The CIA has been advised of their Condition Code "N" status. The remainder are on hold at Anniston Army Depot. (Exhibits O; AD)] When asked if he believed LTG Russo had enough information available to make the right pricing decisions, MAJ Simpson said that LTG Russo relied on him for information and that he (MAJ Simpson) did not have enough information. He added that if there was a pricing error, he believed that he and MICOM were jointly responsible. He said that in retrospect, he believed the price should have been much higher than what was charged. (Exhibits B-9, pp 20-24, 27, 29, 31-38, 40, 42-45, 47-48, 50-53, 68-69, C-58, C-59, C-78, C-81-83, C-88, C-90, C-98; B-28, pp 6, 7, 23, 24, 37, 38; O; AD)

(8) (S) MAJ Edward Frothingham, Legal Advisor [redacted] [redacted] from approximately September 1984 to March 1986, testified that his initial involvement in the missile sale was when MAJ Simpson asked him to meet with LTG Russo concerning the establishment of a reimbursement figure for the TOW missiles. He did not know the ultimate destination of the missiles but did know they were being transferred to the CIA under the Economy Act. At the meeting with LTG Russo, two prices were discussed, the replacement cost versus the procurement cost plus modification and shipping. He said MAJ Simpson was also at the meeting with LTG Russo when he (MAJ Frothingham) initially advised that the Army should charge a price sufficient to restore our stock of missiles. He recalled that price being approximately $8,000. He did not recall being advised that there was a specific price for a missile with a MOIC. Had he been told there was an AMDF price for a basic TOW with MOIC, he would have advised to charge that price. He said that LTG Russo's reaction was that charging the higher price would not be fair to the CIA since the Army would be receiving more than the cost of the basic TOW plus modification and shipping costs. There was discussion of reducing the cost "to be more in line with the lack of desirability of the item or the depreciation, if you will, of the item." The end result was that the Army would charge whatever it cost for the basic TOW plus the cost of modification. He remembered it to be approximately $3,500 per missile. He did not make an extensive review or take notes because he thought ODCSLOG

would come to him for a final review. He advised his boss, COL McDonald, of what he had done and had no more thoughts of the matter until he read of it in the newspaper. (Exhibit B-10, pp 5-8, 10)

(9) (S) COL Lincoln, PM TOW, said that during one of the very first contacts he, or perhaps someone in his office had with ODCSLOG, MAJ Simpson stated the need for BGM-71A TOW missiles and said he had personally looked up the price of the missiles and determined the AMDF price to be $3,169. The PM TOW office confirmed that MAJ Simpson had determined the correct price for a BGM-71A. COL Lincoln did not know the missiles were for the CIA. When the requirement was added that missiles be in Condition Code "A", MAJ Simpson was advised that a MOIC must be installed. MAJ Simpson asked what that cost would be and was told "about $300." MAJ Simpson said, "I guess we will add $300 to the price that we have already come up with, adding $300 to $3,169, and that will be the price." COL Lincoln said that he was not involved, but "there appeared to be agreement by both parties that was proper. And so, we arrived at the price of $3,469 as the proper price." When asked why the price was not set at $8,435, he said, "Because after the initial look-up it was determined that we were only adding this three hundred dollar item to the missile that was reflected as thirty-one sixty-nine, so the proper pricing change would be simply to add the three hundred dollars to the price we had already looked up." COL Lincoln did not know of anyone in his office who advised the DCSLOG point of contact (MAJ Simpson) that there was a different NSN for a basic missile with a MOIC. COL Lincoln only became aware of the NSN difference in the last few weeks (November-December 1986). At some later time, after MAJ Simpson added the requirement that all missiles must be in Condition Code "A", he (MAJ Simpson) was told by someone in the PM TOW office that "adequate stocks were not available" and a missile with a MOIC installed and with "a different model number" was required. [IG NOTE: At the time the requirement for Condition Code "A" missiles became known, there were [redacted] BGM-71A2 missiles on hand. There were approximately [redacted] MOICs on hand, an insufficient number to modify enough 71A missiles, converting them to 71A2 missiles. These two facts are apparently what COL Lincoln meant by "adequate stocks were not available." The "different model number" he referred to was apparently the 71A1 missiles to be "produced" by converting or downgrading the 71C ITOW missiles.] COL Lincoln testified that upon discovering that insufficient MOICs were on hand to meet the customer's needs, ITOWs were offered but rejected. The decision was then made to modify ITOWs (converting 71Cs to 71A1s) to accomplish the mission. When told that there was evidence that MAJ Simpson had

said the CIA would have paid anything that was asked if good reason were given, COL Lincoln said he went to a general officer (not further identified; probably LTG Burbules) and tried to make a case with him for charging a higher price, and failed. He also said Mr. George Williams made enough of a point to get MAJ Simpson to go to the General Counsel to inquire about the price and word came back that the price would stay like it was. On two other occasions in his testimony, COL Lincoln made reference to hearing that the Army General Counsel rejected PM TOW arguments for a higher price. He said, "we started with a certain price, we became semi-locked into that price, and we did make these other attempts to change the price, which were not adequate." He further testified he did not recall hearing of a price of $8,435 during the time the transactions were taking place. He said both he and his Deputy, Mr. Williams, believed the price charged was drastically low from the point of view of buying TOW 2s as replacements. They made that point with LTG Burbules, and COL Lincoln was in the room when LTG Burbules talked to LTG Russo. He said LTG Burbules made the point that the price was too low, but the argument was rejected by LTG Russo. In summarizing his testimony about pricing missiles for the transaction, he said it was agreed upon by both parties that $3,169 was an appropriate price for a basic TOW, "...and then with the new condition of a MOIC, simply adding three hundred dollars made sense to both parties. One or both parties perhaps should have had the foresight or the training to say maybe a different price applies, AMDF price specifically, but at least during the critical deliberations, to my knowledge, that didn't go through anybody's mind. Maybe it did someone later, maybe some of the other individuals involved can state that, yes, they in fact did that. I don't have any direct knowledge that someone was triggered to think that we now have a different price, a different AMDF price, and we need to go look it up or change the price." (Exhibits B-11, pp 4-5, 7, 9-15, 21-22, 35-39, 43; O)

(10) (U) Mr. George G. Williams, former Deputy PM TOW, testified that the original mission from ODCSLOG, which was passed to COL Lincoln, called for the basic, 3,000 meter TOW missile with a 5 inch warhead. When ODCSLOG was told the only way the mission could be accomplished was with Condition Code "N" missiles, the request was modified to add the requirement that the missiles be in Condition Code "A". He was aware by the second week into the mission that it would be necessary to provide missiles with a MOIC installed. At the time the initial transactions were taking place, he did not know that a basic TOW and a basic TOW with a MOIC installed had a different NSN. He learned about the different NSN sometime after the first shipment but did not tell MAJ Simpson there was a different NSN. At the

time of the transaction, he was not aware of the $8,435 price and did not know until recently that there was a different price. The price for the basic TOW without a MOIC had been established at $3,169. The PM TOW office stated the price of the MOIC was $300, based on what they were paying for it plus an estimate for the cost of installation. He believed the price of $3,469 was set by the people in ODCSLOG by adding $300 to the cost of a basic TOW. Mr. Williams said that all of his conversations with MAJ Simpson were directed at obtaining a price which would replace the missiles being transferred with TOW 2 missiles. He said MAJ Simpson conferred with DA legal counsel (not further identified) and subsequently advised him that the $3,169 was legal. He added that he "had the impression all through this whole deal that the customer had been told a price, and we weren't going to vary a whole hell of a lot different than that. Now that is my personal opinion of the whole thing." Mr. Williams did not learn of the mix up on Condition Code "N" versus "A" during the conversion of ITOWs until approximately one month after it was done. (Exhibit B-12, pp 4-5, 7-10, 15-16, 30-31, 39)

(11) (U) Mr. Chris J. Leachman, Jr. former Logistics Management Specialist and current Acting Deputy PM TOW, testified that his initial involvement was when he was called one Sunday (probably 19 January 1986) by COL Lincoln and told to check pricing and availability on some TOW missiles when he went to work the following day. He believed COL Lincoln mentioned a price of $3,169 for a basic TOW missile in his telephone call but he knew that amount would not purchase TOW 2s as replacements. He did not think the requestor understood at the time the difference between Condition Codes "A" and "N". He knew there was a different NSN for a basic TOW and a TOW with MOIC installed but didn't know if he made anyone aware of the difference. He said if the PM and his Deputy didn't know there were different NSNs for the two missiles, it was probably his fault for not telling them. In discussing whether or not the PM TOW pricing experts were involved in pricing this transaction, he said, "I believe the price was determined by the people in DCSLOG telling us it was thirty-one sixty-nine. We said, 'no.' We told them what it was really worth, and they said, 'Well, what is the MOIC worth?' We told them about three hundred dollars, and they came up with thirty-four sixty-nine and I think it was a dictated price." When asked if anyone in ODCSLOG was notified of the $8,435 price, he said, "I don't remember the conversation, but I believe we did. I believe that they had access to the AMDF price, the same, well, I know they had access to the AMDF price, they came up with the first thirty-one sixty-nine. Once it was decided that we were going with missiles with MOICs on them they

also knew what that stock number was, 1512; they had access to the same AMDF that I had. The prices were there in January of '86." He further testified that MAJ Simpson had the stock number for the basic TOW with MOIC 71A2, saying, "I know that he had the stock number when he came down here to pick them up. He knew what-- he-- I didn't keep it, but he had a handwritten copy of a 1348 with stock number and everything on it. I have no evidence of that because we threw it away. We took it and typed it." He added that it was the correct stock number for the missiles which were delivered. Mr. Leachman knew the ITOW had a different NSN and price. When it became necessary to modify the ITOWs, they did not bring up price again because it was considered to be a moot issue. He did not know the ultimate destination of the missiles. He added that he honestly believed the price for the missiles had been dictated to them by ODCSLOG. When told there was evidence that the PM TOW office failed to provide any good arguments to increase the price and failed to tell him there was a different NSN and AMDF after the first day, he replied, "Absolutely untrue." (Exhibit B-13, pp 6-9, 11, 13-17, 24-25, 28, 37-38)

(12) (U) LTC Larry W. Armbright, Logistics Support Coordinator, ODCSLOG, stated that he only recently learned that a basic missile with a MOIC had a different NSN than a basic missile without a MOIC. He didn't know there was a different price for a missile with a MOIC installed. In May 1986 he did not know there was a model number other than 71A2 involved. While accepting the third shipment in November 1986 he noticed the model and NSN were different from the May shipment. He was told by Mr. Collier (Mr George E. Collier, PM TOW Office) that addition of the MOIC changed the model number. He only recently learned that ITOWs were downgraded to satisfy the total requirement. He did not discuss pricing with LTG Russo or MAJ Frothingham nor did he know of any discussions about keeping the price down. When asked if he knew before 17 November 1986 if COL Lincoln had challenged the TOW missile price, he referenced a 14 May 1986 discussion and replied as follows. "It seems to me -- challenged I don't think is the right word -- as I recall when I, and I hadn't thought of this until just now but, as I recall, when I was there in May, COL Lincoln and Mr. Leachman and I had a -- that's the first I had met them, so we were sitting there talking, and, uh, a question came up on, uh, that they were -- a statement to the effect they were unhappy with the price. But that was because that was the price in the AMDF, because they hadn't changed the AMDF and they were stuck with the AMDF price. It wasn't that they were getting something different. It wasn't that there had been modifications made, models, stock numbers, none of that came up. It was only, we've got an error in the

AMDF and the AMDF price is what we have to live with 'cause that's ..... and we're taking steps to correct the AMDF. Uh, so that may counter everything I told you earlier, but I hadn't thought of that conversation. They didn't really challenge the price. That was just a "we're unhappy but we've screwed up; we didn't update the AMDF and we're going to have to do that." He said there was no discussion that the AMDF price for the missile being shipped was actually much higher than what was being charged. (Exhibit B-14, pp 1-4)

(13) (U) Mr. Collier testified that he and Mr. Leachman talked about the fact that $3,169 was too low a price for the ITOW. There was a marked difference between the AMDF price for an ITOW and the price being charged for a converted ITOW. (Exhibit B-15, p 22)

(14) (U) Mr. Billy R. Bentley, Chief, Program Management Office, PM TOW Office, testified that his office was responsible for pricing TOW missiles. His office was not involved at the outset in the establishment of a correct missile price. He attended a meeting at HQ MICOM along with Mr. Leachman, Mr. Williams, a CIA representative, and MAJ Simpson. It was his impression that MAJ Simpson was informing them what the price of the missiles would be. It was Mr. Bentley's understanding that the price had already been determined to be $3,469 ($3,169 plus $300). (Exhibit B-16, pp 5, 7-8, 13)

(15) (S/ORCON) [redacted] Directorate of Operations, CIA, testified that his initial involvement in the arms transfer was on 18 January (1986) at a meeting in the White House where he met with Admiral Poindexter, LTC North, and two other CIA representatives. He was shown the Presidential Finding which authorized the sale of military equipment to Iran to support building a strategic relationship with Iran. [redacted] was to be the CIA contact for LTC North and was to set up a logistics and finance mechanism by which money could be transferred into an account controlled by the CIA and subsequently turned over to DOD in payment for American weapons that would come out of DOD stocks. A few days later LTC North told him to contact LTG Powell for instructions. LTC North said he would arrange to have Mr. Weinberger or Mr. Taft informed of the CIA financial and logistical mechanism and would task DOD to sell weapons to the CIA. As instructed by LTG Powell, [redacted] contacted LTG Russo. They discussed the sale of TOW missiles and [redacted] said the initial discussion may not have specified the figure 4,508 because the number varied from 4,500 to 4,506 and finally settled at 4,508. The first sale was to be 1,000 TOWs. He testified that on 22 January 1986 LTG

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Russo gave him a price figure of $6,000 per missile. [redacted] said he had some experience with pricing and different military sales figures so he asked LTG Russo what that figure represented. Although not certain of LTG Russo's specific response, he recalled it was "the current replacement value for the TOW." He said LTC North had told him it was not important to give the Iranians the most recent TOWs. He further testified that LTC North said, "What the Army ought to do is try and find the oldest batch in the warehouse anywhere in the country and use those." Speaking of the guidance he got from LTC North, he said we didn't care if a couple of them didn't go off, adding that this was not the usual kind of FMS sale where we're terribly concerned about U.S. bona fides or giving good weapons. He dimly recalled that when he told LTC North the $6,000 figure, LTC North said something like, "that's too much" or "that can't be the right figure." He said he seemed to remember that he called LTG Russo two or three times about pricing and dimly recalled one conversation in which he told LTG Russo that LTC North thought the $6,000 price was too high because "we weren't buying current model TOWs." He did not remember receiving a price figure from LTC North that he was to pass to LTG Russo. He recalled LTG Russo's response to be that he would "have another look at those figures and that he would have to seek guidance on... what the cost would be in the project." His discussions with LTG Russo were an attempt to get the price lower based on the fact that LTC North had told him the $6,000 figure was too high. He said that in retrospect one could wonder if the attempt to get a lower price had anything to do with Contra funding, but at that point there was no hint to him that there was anything suspicious in the fact that LTC North thought we ought to be buying old missiles and that he thought the price was too high. [redacted] said the money for payment was coming from Iran through intermediaries and the CIA wanted to ensure that both DOD and the CIA did not lose money and that the CIA didn't profit. [redacted] [redacted] said the price did not change directly from $6,000 to $3,400. Rather, he said, LTG Russo mentioned several other figures in between. The price never went above $6,000. He said his comment on the intermediate prices was based on "fuzzy" recollection and too much emphasis should not be placed on his comment. [redacted] testified that [redacted] (CIA) and MAJ Simpson eventually came up with the price between $3,000 and $3,400. On 27 January 1986, LTG Russo told him the price was $3,469. He passed the price to LTC North. He said [redacted] reported to him at one point that the Army was "having a terrible time figuring out which prices to charge" and he remembered that [redacted] told him that MAJ Simpson advised him at one point that the price was $4,500 or $4,400. [redacted] added that [redacted] had one or two conversations with LTG Russo and then he

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[redacted] and MAJ Simpson "started going crazy together, every day for two weeks...until they got that figure settled on." He did not recall what type or model number of TOW was requested, other than a basic TOW. He did not know what the terms Condition Code "A" or "N" or MOIC meant and did not remember [redacted] discussing those terms with him. Once a price was determined, [redacted] passed that to LTC North along with instructions on what bank to deposit the money in, what account number to use, and the total amount of funding required. [redacted] said he had no indication that anyone in the Army knew of the final destination of the missiles. (Exhibits B-22, pp 2-10, 14, 15, 17, 19; B-32, p 18; B-34, p 1)

(16) (S/ORCON) [redacted] CIA, testified that at about 1730 on 17 January 1986 he attended a meeting at the CIA headquarters concerning the transfer of approximately 4,508 TOW missiles to Iran. [redacted] a representative from the [redacted] and two other CIA employees were present. [redacted] told the group there was confusion in the Army on the price but it was thought to be approximately $6,000 per missile. LTG Russo's name was associated with the pricing uncertainty. [redacted] was sent to the Pentagon that evening to visit LTG Russo and determine the specific version of the TOW to be provided and the price. [redacted] said he would call LTG Russo to arrange the meeting and LTG Russo was expecting [redacted] upon his arrival the evening of 17 January 1986 (IG NOTE: Further investigation revealed that the meeting with LTG Russo probably took place on 24 January 1986). LTG Russo told him there had been confusion on the price and that further research showed the higher price had been based on a later version of the TOW. The missile being provided would cost approximately $3,400 plus ancillary costs such as packing and crating, transportation, and a modification that [redacted] thought involved improvements to the guidance system. He said that LTG Russo requested at the 17 January 1986 meeting that the CIA sign for the missiles at the point of transfer and once the missiles were under CIA control, that they accomplish minor external sanitizing such as the removal of lot numbers. [redacted] was of the opinion that some background work had been done prior to his 17 January 1986 meeting with LTG Russo. Otherwise, he said, it would not be likely that LTG Russo would have been able to quote TOW missile prices. He and LTG Russo did not discuss condition codes except to establish that the missiles would be serviceable. [redacted] assumed they would be Condition Code "A" because that was normal procedure in obtaining ordnance from the Army. Within a week of meeting with LTG Russo the price had been pinned down to $3,469 plus the add-ons and ITOW modification. When asked why a written request was not

presented to the Army, [redacted] said normal requisition procedures were not followed because of the sensitivity of the project. It was a CIA decision to handle the project by word of mouth, except for the fund certification document. Additionally, he did not discuss NSNs in any of his Army dealings. [redacted] said there was no reason for him to believe LTG Russo or MAJ Simpson was under any pressure to establish a lower price or to keep the price low. To his knowledge, no one within the Army knew that the ultimate destination was Iran. He recalled no arguments or debates concerning the price increase due to changing from Condition Code "N" to "A" nor did he remember indicating Mr. Casey would have to obtain more money to pay the increased amount. He added that he may have made such a statement because he served as the messenger relaying financial information between the CIA and the Army. With respect to pricing, he said there were no negotiations; he argued with MAJ Simpson on packing and crating charges, but the Army set the prices. (Exhibit B-26, pp 8-13, 17-19, 22, 29, 30, 37, 41, 49, 51, 56, 58, 64, 82, 83, 86, 87, 91)

(17) (S/ORCON) [redacted] testified that at the time money was made available to pay the Army, he did not know the source of the funds but he was assured that they were not funds appropriated by Congress. He was not aware that there was a price change from $3,169 to $3,469 but knew of the modification cost associated with the May 1986 transaction. He did not recall telling anyone that Mr. Casey would have to obtain more money from the White House or from the Cabinet. (Exhibit B-25, pp 20-22, 25)

(18) (S/ORCON) [redacted] CIA, testified that he assumed his duties at the end of August 1986. Prior to that time, he had no knowledge of the transfer of Army arms to Iran. His duty was to serve as a facilitator between the CIA and outside agencies, specifically the NSC. He had no direct dealings with anyone in DOD. The price of $3,469 per missile had been set before he assumed his duties. In September or October 1986 a message was passed to him from LTC Armbright, through a CIA employee, that future TOW missiles beyond the original 4,508 would cost in the range of $6,000 to $7,000 to $8,000. He informed no one of the potential for future change. [redacted] said he knew of no pressure to establish a low price for the TOW missiles. (Exhibit B-30, pp 2-8, 12)

(19) (S) LTG Russo and MAJ Simpson, the key ODCSLOG players and HQDA points of contact in the transaction, knew the transfer of arms to the CIA was to be accomplished pursuant to

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the Economy Act. LTG Burbules and COL Lincoln, key MICOM players with respect to missile pricing, did not know the sale was an Economy Act transfer. Further, LTG Burbules believed it was an FMS transaction. Paragraph 1-5, AR 37-60, stated that sales to FMS customers would be at the replacement or standard price, whichever was higher. (Exhibits B-6, pp 10, 22; B-7, pp 2, 19; B-8, pp 9, 11, 21; B-9, p 41; B-11, pp 17, 41; C)

(20) (S) The following individuals were interviewed but provided no significant information concerning the pricing of TOW missiles for transfer to the CIA:

(a) GEN John A. Wickham, Jr.	(Exhibit B-3)
(b) Mr. Richard L. Armitage, Exec Level IV	(Exhibit B-17)
(c) VADM Donald S. Jones	(Exhibit B-18)
(d) MG William K. Suter	(Exhibit B-19)
(e) Mr. David C. Rosenthal, GS-13	(Exhibit B-20)
(f) Mr. John C. Coward, GS-11	(Exhibit B-21)
(g) Mr. Thomas A. Williford, GS-13	(Exhibit B-23)
(h) Two CIA employees	(Exhibits B-31, B-33)

b. (S) Discussion: The only pricing guidance passed to the Army by LTG Powell was that the arms transfer to the CIA was to be accomplished under the Economy Act and that the Army was to recover the cost of the missiles and services. The investigation surfaced no guidance to keep the price low or to establish any specific price. When LTG Powell tasked the Army, the missile to be provided was described only as a "basic TOW" or "vanilla TOW" missile. The tasking was passed orally and no model number was included. Upon receipt of the mission, LTG Register tasked MAJ Simpson to determine TOW pricing and availability data. MAJ Simpson got the NSN from Mr. Hill and determined the AMDF price of the "basic TOW" missile to be $3,169. He passed the NSN to COL Lincoln and by the end of the first day, COL Lincoln had confirmed the price in the AMDF and advised MAJ Simpson that he could support the mission with missiles of the NSN specified at a cost of $3,169 per missile. On 20 or 21 January 1986, LTG Russo advised [redacted] CIA, that the price per missile would be $3,169. Later in the first week, it was determined that the price quoted was for Condition Code "N" missiles and that the CIA needed Condition Code "A" missiles. It is not clear who made the request or even if there was a specific request, [redacted] requests are always for serviceable ammunition, which to the CIA [redacted] The PM TOW office advised that installation of a MOIC was required to convert the missiles to Condition Code "A". Approximately $300 was established by the PM TOW office as the cost of purchasing and installing the MOIC. After discussions between ODCSLOG and the PM TOW Office, the adjusted price for the missiles was set at $3,469. Both Mr. Leachman and Mr. Bentley believed that PM TOW pricing experts were not utilized during the establishment of a correct TOW price. The CIA was told of the revised price and offered no objection. LTG Russo did not know the addition of a MOIC to the 71A model converted it to a 71A2 model and he did not know there was a price difference except for the $300 modification charge. Neither COL Lincoln, MAJ Simpson, nor Mr. Williams knew there was a difference in NSN or price, except for the $300 modification charge, between a basic TOW with a MOIC installed and one without a MOIC. A potential $6,000 price was apparently provided to the CIA by the Army early on, but we found no evidence it was used in the final computation. Although [redacted] recalled he told LTG Russo a price of $6,000 seemed too high, neither LTG Russo nor MAJ Simpson reported any haggling over price by the CIA. Even if the CIA did relay a concern that the $6,000 figure was too high, there is no evidence that the comment had any impact on the final price. The price was simply extracted from the AMDF for the basic missiles the Army thought they were providing and the cost of the MOIC modification was added to it. It is clear that the Army, not the CIA, established the price. A short time after the CIA was told of the price increase to $3,469, it was determined there were not enough MOIC devices available to convert the required number of missiles in the time allotted. The decision was made to downgrade ITOWs, converting them from 71Cs to 71A1s. Mr. Williams told MAJ Simpson the 71C was a more expensive missile and the customer should be charged more money. MAJ Simpson refused to tell the DCSLOG of the price increase and told Mr. Williams that someone from the PM TOW office would have to explain the increase to the DCSLOG, adding that it would be easier for them to explain why they had not provided correct information. He speculated that his comment led to the conversation between LTG Russo and LTG Burbules. However, LTG Burbules believed it was an FMS transaction and made the argument that the Army should charge replacement cost. LTG Russo's contention was that the Army was still selling the CIA a basic TOW with a MOIC and it did not make sense to charge more than $3,469. He rejected LTG Burbules' argument and the CIA was not asked to pay a higher price. Mr. Leachman said MAJ Simpson knew the correct NSN, but MAJ Simpson denied it, and no one could specifically remember providing him with the NSN. Concerning LTG Powell's comment that LTG Russo said, "There's a way to do this and the cost will come in lower," the investigators found no supporting evidence. LTG Russo recalled telling LTG Powell of the $3,169 and $3,469 prices and also that he may have told him the price could go as high as $8,000. He also may have told LTG Powell of MICOMs pricing concerns. LTG Powell and [redacted] both indicated price fluctuations but LTG Russo and MAJ Simpson

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could not recall any prices provided to LTG Powell or the CIA except the initial $6,000 and later $3,169 and $3,469. Although mistakes were made, they appeared to be honest mistakes. None of the evidence indicated intentional underpricing on the part of any Army individual.

(c) (U) Conclusions:

(1) (U) The price for a basic TOW in Condition Code "A" was determined by adding the estimated cost of an installed MOIC, $300, to the AMDF price of the basic (BGM-71A) TOW, $3,169. The revised price, $3,469, was erroneously used for all missiles sold to the CIA. The correct price for the BGM-71A1 (downgraded from a BGM-71C) was not changed for the last 500 missiles sold. The errors made by Army personnel resulted from honest mistakes. Contributing factors were:

(a) (U) The lack of a written document specifically identifying the missile being requested.

(b) (U) Failure of MICOM personnel to understand that the transaction was being accomplished under the Economy Act and that replacement prices were not to be charged.

(c) (U) Incomplete knowledge of the NSNs and standard prices for the missiles supplied.

(d) (U) Failure to fully utilize technical personnel in the pricing process.

(2) (U) There was no evidence that anyone intentionally established an incorrect TOW missile price.

9. (S) Issue #5: To what extent were external pressures a factor in charging the CIA an incorrect price?

a. (S) Evidence:

(1) (S) Mr. Richard L. Armitage, Assistant Secretary of Defense (International Security Affairs)(ASD(ISA)) said he was informed in late January by LTG Powell that he (Powell) had been given instructions by the Secretary of Defense to have the Army move weapons to the CIA. He was subsequently told by LTG Powell, and by the Secretary of Defense, that "the instructions were Economy Act and don't lose money." Mr. Armitage testified there was no pressure by him to keep the price down and he didn't know of any such pressure. However, he was told by a Senate Select Committee on Intelligence (SSCI) staff member that "...there may

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have been a conversation that Ollie North had with one of the Army fellows involved." (Exhibit B-17, pp 4, 6, 10, 14)

(2) (S) LTG Powell stated that in determining the price, "They (the Army) were under no pressure from the Office of the Secretary of Defense or anybody in the Department of Defense,...no pressure came from us to do anything but charge the price that was the correct price..." He also said that he was not aware of any pressure by the CIA to avoid price changes. When asked if anyone tried to influence him to get the price lower, LTG Powell answered "No. There was interest in what the price should be and there was interest in getting the price lower." LTG Powell did not indicate he felt under pressure external to DOD but he stated he had discussions on cost with Admiral Poindexter and possibly LTC North and that "there was an issue early on as to how much the missiles were going to cost...how much was available to buy missiles and how many missiles the people they were negotiating with wanted...Iran had, obviously, TOWs to begin with; they had some feel for how much a TOW cost." He also said "I'm sure that...General Russo was also receiving inquiries as to how to get the price at a lower level, if possible, by perhaps the same interlocutors or probably through the CIA." LTG Powell said that in the beginning everyone (to include the NSC) had the impression that TOWs cost around $4,000, and they were questioning the $10,000 figure mentioned later. When the price got down into the $4,000 range, it was "down where my interlocuters in the NSC had told me all along it ought to be." With respect to the discussions LTG Powell had with the NSC, he believed "the context in which we were answering questions and giving guidance to General Russo had nothing to do with trying to get the cost as low in order to get as much of the available money for some other nefarious purpose." (Exhibits B-1, pp 7-9; B-24, pp 3, 4, 6)

(3) (S) LTG Russo stated "...nobody pressured me to keep the cost down." He testified that LTG Powell said, "The Army was to--you know--retain their posture in terms of cost..." With respect to prices quoted to the CIA, he said that the CIA did not set or suggest the price and that, "There would have been nothing that would have precluded us from going back to the agency and telling them that the price is incorrect." LTG Russo said he did not talk to LTC North or Admiral Poindexter or anyone else on the NSC. He added that when he told [redacted] of the $300 increase for the MOIC, he thought [redacted] said, "...well, that keeps us inside the $25,000,000 window," and stated there were no discussions on how high the dollar price was. With regard to pressures outside DOD or the CIA, LTG Russo stated "...Powell never, to my recollection, never mentioned the

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NSC or the White House." When asked about pricing pressure by LTC North on the Army he replied, "He may have, but I don't know who he would have been talking to." (Exhibits B-6, pp 22, 32, 37; B-7, pp 9, 13-16)

(4) (S) With respect to pressure put on him in pricing, MAJ Simpson stated that no one ever pressured him to establish a certain price and no one ever told him to lower the price. He said he did not negotiate with the CIA or anyone to establish a price. When asked if he felt pressured by the CIA to keep the price down, he said "No, the only thing is when the...$300 was added, you know, we started with $3,169 and when I went back to get the $300 (for the MOIC) that was a big fight." He was told the boss, "and I know he meant Mr. Casey," would have to go back to the White House to get this resolved and "...that is intimidating when you know that every time somebody makes a mistake it's going to go to the White House to get resolved." Additionally, MAJ Simpson said he told Mr. Williams that the price increase would be very embarrassing because the Army had already committed itself to a price. He also said [redacted] from the CIA said someone from the NSC was intimately involved and since it was that level of people, "both he and the Comptroller were concerned about things being correct and straight." MAJ Simpson then learned from MICOM at least a week into the transaction (on approximately 27 January 1986) that to satisfy the entire 4,508 requirement, some ITOWs would have to be converted into basic TOWs because MOICs could not be provided in a timely manner. The Deputy PM, Mr. Williams, said that it was a different priced missile with a significantly higher price and that, "the customer is going to have to pay more." MAJ Simpson responded that "if somebody is going to tell the DCSLOG that we need more money now, again, yet again...then you guys are going to have to go to the DCSLOG and tell them you need more money and tell them (sic) you screwed up...that's your problem right now as far as I'm concerned." MAJ Simpson said he did not inform LTG Russo of this new pricing problem himself. He told MICOM that if the price was going to change, they were going to have to settle with the DCSLOG. He further testified that the reason he wanted someone else to explain was because of the impact it was going to have and because it would be easier for Mr. Williams to explain the error. "I never heard another word about it." He did not know if this specific problem was brought to LTG Russo's attention, but he did not inform LTG Russo that MICOM said the converted ITOWs would cost more. MAJ Simpson did add, however, [redacted] they never argued about price. "Whatever price we gave them, they paid." The concern was about the trouble of continually going back with changes. Concerning pressures outside of DOD and the CIA, MAJ

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Simpson said he never talked to LTC North, Admiral Poindexter or anyone from the NSC or the White House. (Exhibit B-9, pp 15, 29, 30, 50, 51, 62, 64, 68, 91, 97, 114)

(5) (U) LTG Burbules, MICOM commander at the time of the transaction, said he was involved in pricing because the PM TOW advised him that the price he was directed to charge by DCLSOG seemed low. He took this issue to LTG Russo, who said he would take it under advisement. LTG Burbules "was later informed that the decision had been made and the lower price would be the price that would be used." This call could not be specifically related to the concern by the Deputy PM TOW that the converted ITOWs should cost more, however. LTG Burbules said, "We were being told the price. I objected to that price. DA overruled my objection. I saluted and moved up (sic) and didn't fight the issue any more." LTG Burbules did not get the impression that LTG Russo was under pressure. He also stated he did not have any conversations with anyone outside the Army on this subject. (Exhibit B-8, pp 3, 21, 23)

(6) (S) COL Lincoln, PM TOW, said he did not talk to anyone from the White House, NSC, or CIA. With respect to discussions with HQDA, he said, "I recall...that there was an impression given (from HQDA to the TOW Project Office) that the customer had been told about this price and we had better not change it." He also said, "Because of the highly unusual nature of this mission, I think that inhibited all of us from perhaps raising more substantive issues about the price. Perhaps not that strong, but I---I vaguely recall that such an impression was given to myself and some of the other people, that we more or less had a--we had determined a price in the beginning, within the first week or two there, and because of the highly unusual nature of this mission I think that inhibited all of us from perhaps raising more substantial issues about this price. For example, if I was told that we would get zero for these missiles I probably wouldn't have questioned it, the whole deal was so unusual. So there were--we were all to some degree inhibited about going through our normal procedures, not only in the pricing area but in all areas having to do with this mission, because it was so unusual, in that it was all done by phone calls. That certainly inhibited me throughout this whole affair." Although he raised his concerns with LTG Burbules that the price of $3,469 was too low because the Army could not replace the basic TOW with a current version for that price, he said that the major point was not that the correct AMDF price was different. However, he thinks it would not have made any difference to HQDA if they had come up with a different NSN or AMDF price because "we became semi-locked into that price." (Exhibit B-11, pp 6, 15, 22, 35, 36)

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(7) (S/ORCON) With regard to the CIA influence on the Army, [redacted] CIA, provided the following information. [redacted] stated, "I dimly recall one conversation in which I told Russo back that North thought that original cost figure of $6,000 was too high because we weren't buying current model TOWs." He added that LTC North said he was going to do some investigation on his side but he [redacted] did not know who LTC North talked to or whether he had any direct bearing on the final cost. [redacted] said he told LTG Russo that the figure was too high. LTG Russo responded that he would have another look at the figures and that he would have to seek guidance on what the cost would be in the project. [redacted] also said price was not terribly important to the CIA as long as they broke even and got paid. [redacted] was asked whether or not he thought there were negotiations between the Army and the CIA and he said no, that the Army told the CIA the price. He said no one in the Army gave him any indication they were trying to hold the price down to a certain figure or a lower figure, but "I think the question came up whether this was the actual replacement cost of the missile. It was my understanding that the basic TOW was no longer in production." [redacted] further said he did not believe for any reason that they were under any pressure to keep the price down or get the price down - "quite contrary, we were being gouged a little bit, $241,000 or whatever to repair it." He said he wasn't involved with NSC people until the second phase. Later, he met with NSC people, and, "...my understanding this thing came from the highest levels..." However, [redacted] did not hear any discussions in any form about Iran having only so much money to pay for a missile. [redacted] "was not aware of anyone in CIA...being under pressure to hold down costs" and was not aware of any CIA concern about price except that the addition of the depot modification cost (for converting ITOWs into basic TOWs) "was somewhat of a surprise to us." He said he was not aware of any consternation over a change in price or of the CIA telling the Army that approval would be required from the White House for such a price increase. However, he said he felt it was imperative to know what the best estimate was whenever talking to the Army because "as I understood, there was no returning for money once you got an estimate published, that was it." Exhibits B-22, pp 5, 6, 8; B-25, pp 7, 8, 11; B-26, pp 55, 56, 87, 91)

(8) (U) VADM Jones, GEN Wickham, GEN Thurman and LTG Register said they did not discuss pricing or provide any pricing guidance. During a discussion of this investigation on 18 January 1987, GEN Wickham observed that it is not uncommon or unreasonable for the CIA to solicit the best possible price for equipment. (Exhibits B-2, pp 6, 7; B-3, pp 3, 9; B-4, pp 1-2; B-18, pp 4-5)

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b. (S) Discussion: It appears there was no impression given to anyone in the Army that the price needed to be reduced to a specified amount or that it needed to be lowered so that excess funds could be used for another purpose or for any other reason. There was evidence that comments were made to the Army that the initial price figure mentioned to the CIA (which could be construed to be a "replacement" price) was considered too high, but only from the standpoint that the TOWs requested were older missiles and people in the NSC had an idea of what they thought was a reasonable price for those missiles; there was no impropriety in the CIA (or NSC) seeking the best possible price for items it was purchasing. The investigators could not verify the SSCI staff comment that "there may have been conversation that Ollie North had with one of the Army fellows involved." There appears to have been subtle pressure by HQDA on MICOM and the PM TOW not to change the price. This impression may have stemmed from the fact that the HQDA action officer said he was told by the CIA that approval for the funds was coming from a very high level. Therefore, HQDA was concerned about making any price changes once an initial price quote of $3,169 had been provided.

c. (S) Conclusions:

(1) (S) It is not uncommon for the CIA to solicit best possible prices for equipment. Hence some pressures may have been applied from the CIA to HQDA for a lower price and from HQDA to MICOM not to change the originally quoted price. However, there was no evidence of direct or indirect pressure applied to keep the price low, per se.

(2) (U) While these pressures apparently did not affect the initial price determination, they may have served to inhibit a review of what the correct price should have been for the converted ITOW missiles.

(3) (S) There was no evidence of price negotiations or bartering with the CIA. The Army established the TOW missile price.

10. (S) Issue #6: Is it legal for the Army to present the CIA an amended bill for the TOW missiles?

a. (U) Discussion: In a 2 January 1987 memorandum, the investigators asked OTJAG about the legality of submitting a revised bill to another government agency if an Economy Act transfer was incorrectly priced. In its 7 January 1987 reply, OTJAG stated, "This office perceives no legal objection to submitting to the concerned agency a supplemental voucher to make the necessary adjustments...This is a matter which can be resolved by the mutual agreement of the agencies concerned." (Exhibits E; F)

b. (S) Conclusion: It is legal for the Army to present the CIA an amended bill for the TOW missiles.

11. (S) Issue #7: Why did the Army provide such an odd number of TOW missiles?

a. (S) Discussion:

(1) (S) On 18 January 1986 LTG Powell tasked GEN Thurman to be prepared to deliver 4,000 basic TOW missiles to the CIA. In earlier discussions with the NSC staff, LTG Powell had become aware of "a floating number of 500" missiles, but that additional quantity was not conveyed to the VCSA. Over the next several days, in discussions with ODCSLOG representatives, the CIA increased the requirement to 4,504 and then to 4,508. (Exhibits B-1, pp 2, 3; B-2, pp 3-6)

(2) (S) The Army prepared 4,508 TOW missiles for delivery to the CIA. The number actually transferred was 2,008: 1,000 on 13 February 1986, the "odd number" of 508 on 19 May 1986, and 500 on 3 November 1986. (Exhibits N, O and P-1)

(3) (S/ORCON) [redacted] said all 1,000 missiles in the first shipment were sent to Iran. (Exhibit B-22, p 3)

(4) (S/ORCON) Mr. Armitage, ASD(ISA), said he heard Mr. Casey, Director of Central Intelligence (DCI), or someone else testify before a Congressional committee to the effect that Israel sent 508 TOW missiles to Iran in August or September 1985. [redacted] said the 508 TOWs delivered to the CIA at Redstone Arsenal in May 1986 went to Israel as replacements for the missiles shipped to Iran in the fall of 1985. (Exhibits B-17, pp 8-11; B-22, p 8).

(5) (S/ORCON) [redacted] also testified that Israel had expressed dissatisfaction with the age of the 508 TOWs they received as payback for the 1985 shipment to Iran. [redacted] reported that when LTC North asked that Israel ship 500 missiles to Iran to help expedite release of an American hostage, Israel sent Iran 500 of the 508 older missiles it had received from the U.S. These missiles from Israeli stocks were replaced with 500 newer missiles which the U.S. provided Israel in the last

shipment. The newer missiles were selected first by the CIA requesting all lot numbers for the remaining 3,000 missiles and then requesting that the next 500 be pulled from the newest lots. The CIA specified new missiles for that shipment because the missiles were going into Israeli stocks. (Exhibits B-22, pp 10-12; B-31, pp 14-16)

c. (S/ORCON) Conclusion: The evidence indicated that LTC North, NSC staff, made the decision to ship an "odd number" of 508 TOW missiles to Israel based on an assumption that 508 was the number Israel sent to Iran in 1985.

➡ 12. (S) Issue #8: Did the sale of HAWK ground support equipment repair parts to the CIA reduce the readiness of U.S. Army air defense forces?

a. (S) Discussion:

(1) (S) In response to a 10 April 1986 telephonic tasking by the ODCSLOG Logistics Account Office, later confirmed by a 23 April 1986 message, HQ AMC reviewed a CIA list of 234 line items of HAWK system parts for price, availability and impact on readiness. With the majority of the items controlled by their command, MICOM took the lead for AMC in assessing the impact. Eleven items could not be identified. Seventy-five of the remaining 223 line item numbers (LIN) were managed by other AMC commands, DLA, and the USAF, and MICOM passed the requirement for these LINs to the responsible agencies. This left MICOM with 148 missile peculiar LINs which it managed. With respect to these LINs, MICOM found two were no longer stocked. MICOM reviewed the remaining 146 LINs to determine how providing the kind and number of parts requested would affect support of US air defense units. The assessment included review of assets on hand, parts due in from production and repair, average monthly demand, and known requirements, and incorporated the subjective judgement of responsible MICOM personnel. The outcome was a determination that one hundred LINs could be furnished without seriously depleting stocks, but providing the remaining 46 LINs in the requested quantities might affect US forces' readiness. For 15 LINs, Army stocks would be totally depleted, and for 11 LINs, over half the Army's stocks would be required. The anticipated effect of furnishing the other 20 LINs was less but still considered significant. MICOM relayed this information to HQ AMC, which passed it to the Logistics Accounts Office, ODCSLOG, DA. Subsequently, ODCSLOG directed shipment of all parts, to include those managed by DLA and the Air Force. (Exhibits Q; R; S)

(2) (C) The investigators reviewed monthly unit status reports submitted by the nine U.S. Army HAWK battalions and MICOM stock records for the 46 LINs identified as potential problems in the initial MICOM assessment to determine the actual effect of sale of the repair parts on readiness. They found tha [redacted] readiness reports indicated sale of the parts did not harm readiness. Further, a review of MICOM stock records on 7 January 1987 showed MICOM had stocks on hand for all 46 LINs and no back orders for nonoperational equipment for any of the 46 LINs. (Exhibit T)

b. (S) Conclusion: The sale of HAWK ground support equipment repair parts to the CIA did not reduce the readiness of U.S. Army air defense forces.

13. (S) Issue #9: Is it possible to upgrade a HAWK missile system using the repair parts sold to the CIA?

a. (S) Discussion:

(1) (S) A technical augmentee to the DAIG investigation team reviewed the 146 HAWK peculiar parts on the list of 234 line items requested by the CIA. This review revealed that all 146 items were for the AN/MPQ-46 radar, a high-power illuminator radar to which certain product improvements have not been applied and which is no longer used by U.S. Army HAWK units. It has been replaced by the AN/MPQ-57, which is basically an AN/MPQ-46 with "Phase II" upgrades. Upgrade of an AN/MPQ-46 to an AN/MPQ-57 requires 39 specific parts. None of these 39 parts were on the CIA list. Two other parts on the list could be used on the AN/MPQ-57, but had equal application to either model. The remainder of the radar parts were applicable only to the AN/MPQ-46. (Exhibit V)

(2) (U) A second and independent review of the parts list by the U.S. Army Air Defense School, Ft Bliss, Texas, found the parts to be consistent with support of Phase I HAWK batteries and not to US HAWK batteries, which have been upgraded through application of "Phase II" product improvements. (Exhibit U)

(3) (S) In April 1986, the CIA attempted to add two complete AN/MPQ-46 radars to the list of 234 parts requested earlier. The Army responded that the radars would have to be handled as a separate request. ODCSLOG reviewed assets and

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advised the CIA, in May 1986, that the only AN/MPQ-46 assets in the Army inventory were two units purchased by Iran before overthrow of the Shah and being held pending resolution of claims by Iran. The CIA certified availability of [redacted] to cover the cost of making the AN/MPQ-46s ready for shipment. The Army prepared the radars as requested, but they were not shipped (to date, the Army has not billed the CIA for this work.) In response to a CIA request, ODCSLOG also provided the CIA price and availability information for two AN/MPQ-57 radars, but no AN/MPQ-57s were transferred to the CIA. Thus, while considerable effort was expended in anticipation of transferring complete radars to the CIA, those transactions were not completed, and there was no upgrade of Iran's capability through provision of complete radars. (Exhibit W)

b. (S) Conclusion: It is not possible to upgrade a HAWK missile system using the repair parts sold to the CIA in May 1986.

14. (S) Issue #10: Did the Army charge the correct price for the HAWK ground support equipment repair parts?

a. (S) Discussion. The Army shipped 218 of the 234 requested line items of HAWK repair parts to the CIA on 19 May 1986. The amount charged for each item was correctly extracted from the AMDF, as prescribed by AR 37-60. The items' unit cost by NSN was substantiated by reviewing and verifying the amounts in the April/May 1986 AMDF, the SF 1080 billings, and detailed billing lists provided by the Finance and Accounting Office, Redstone Arsenal. The total costs are summarized below. Estimated figures are used in the data because to date, the Army has only received bills totalling $3,162,645 from MICOM, DLA and the USAF for the HAWK parts they provided. Other bills are still due in.

HAWK REPAIR PARTS

ITEMS	$ CERTIFIED AVAILABLE
218 LINE ITEMS (HARDWARE ONLY)	$4,182,923
PACKING, CRATING & HANDLING COSTS	$154,502
TOTAL	$4,337,425 (EST)

The amount of [redacted] certified as available by the CIA for accessorial charges appears to be adequate. To date, however, the Depot System Command (DESCOM) has not billed the Army for any accessorial charges. Consequently, the Army has not billed the

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CIA for the HAWK repair parts and associated accessorial costs. (Exhibit X)

b. (S) Conclusion: The Army charged the correct price for the HAWK ground support equipment repair parts, but the CIA has not received the total bill to date.

V. (S) OTHER MATTERS CONSIDERED DURING THE INVESTIGATION

15. (S) [redacted]

a. (S) Discussion.

(1) (S) In some respects, the established procedures for providing Army support to the CIA were not followed during the execution of Projects SNOWBALL and CROCUS. In the case of Project CROCUS, this appears to have created no problems and the prices charged were proper. In the case of Project SNOWBALL, this failure to follow established procedures may have contributed to the establishment of improper prices for the TOW missiles transferred to the CIA.

(2) (S) Army support to the CIA [redacted] is governed by the policies and procedures established by a directive from the Director of the Army Staff [redacted] - Short Title: (DASP(U), 12 June 1986. This directive implements the Deputy Secretary of Defense Memorandum, subject: Provision of DOD [redacted] Support, 20 December 1979 (commonly referred to as the "Claytor Memorandum," which has been superseded by DOD Dir 5210.36, 10 June 1986, "Provision of DOD Sensitive Support to DOD Components and other Departments and Agencies of the U.S. Government (U)"). The Claytor Memorandum established the policy of DOD to provide [redacted] support to other federal agencies. It provided that such support should not interfere with DOD missions, should be consistent with the law, Executive Orders and DOD policy, and that the costs of such support should be fully reimbursed by the receiving agency. All Army support to the CIA was to be controlled [redacted] thus had the responsibility for ensuring that all requests for logistical support were properly staffed to ensure that the support met all legal, financial and

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operational requirements. [redacted] the tasking went directly from the Office, Secretary of Defense (OSD) to OCSA to ODCSLOG [redacted] Specific requirements, especially for SNOWBALL, were never put in writing by the CIA, thus making very difficult the accurate determination of what the requirement was or what it should cost.

b. (S) Conclusions:

(1) (S) The Army did not perform its standard oversight and coordination functions [redacted] during the execution of Projects SNOWBALL and CROCUS due to the sensitivity of the projects and the fact that the Army was responding to orders, not requests.

(2) (S) The lack of adequate oversight and coordination by the Army [redacted] may have contributed to the improper pricing of the TOW missiles transferred to the CIA.

16. (S) Frozen Assets

a. (S) Discussion:

(1) (S) On 24 October 1986, Mr. Taft and Mr. Marsh discussed the pending transfer of HAWK radars and HAWK ground support equipment repair parts to the CIA. They decided to place these transactions on "hold" until they could be thoroughly reviewed. Since then, ODCSLOG has kept two AN/MPQ-46 radars, two AN/MPQ-57 radars, and the requested repair parts in a "hold" or "frozen" status. (Exhibits R-1, p 14; R-3; R-11; R-13)

(2) (S) Following media reports that the United States was involved in providing TOW missiles and HAWK parts to Iran, and in accordance with 26 November 1986 guidance from Mr. Ambrose, ODCSLOG also froze, pending investigation, the 2,000 BGM-71A1 and 500 BGM-71A2 TOW missiles not yet transferred to the CIA. To convert missiles from ITOWs to basic TOWs, the ITOW warheads were removed. These warheads, which had been shipped from AMAD to Hughes Aircraft Corporation for use on the ITOW production line, were also frozen pending investigation. (Exhibit AR)

DAIG-IO
SUBJECT: Final Report of Investigation...(U)

(3) (U) Upon approval of this report, the Army's investigation will be completed. Neither TIG nor DCSLOG is aware of any need to keep the radars, repair parts, missiles and warheads in frozen status.

b. (S) Conclusion: Assets frozen pending completion of this investigation should be released to AMC for appropriate disposition.

VI. (S) RECOMMENDATIONS

17. (S) That in the future, the Army not deviate [redacted]

18. (S) That the Army submit a corrected bill to the CIA for an additional $2,557,392.49 for the TOW missiles.

19. (S) That HAWK radars, HAWK ground support equipment repair parts, TOW missiles, and TOW warheads frozen pending completion of this investigation be released to AMC for appropriate disposition.

20. (U) That appropriate persons be informed.

21. (U) That this report be approved.

22. (U) That this investigation be concluded based on evidence presently available, subject to reopening if required because of new evidence resulting from inquiries conducted by other organizations.

Ned W Bachelder
NED W. BACHELDOR
COLONEL, IG
Chief, Intelligence
Oversight Division

CONCUR

Michael J Conrad
for HENRY DOCTOR, JR. MG, USA
Lieutenant General, USA
The Inspector General

APPROVED

John O. Marsh Jr
JOHN O. MARSH, JR.
Secretary of the Army

EXHIBIT CWW-49

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EXHIBIT
CJJ-49

18 November 1986

[illegible]ANDUM TO: Director of Central Intelligence

[illegible] David P. Doherty
[illegible]eneral Counsel

SUB[illegible] Discussion with Stanley Sporkin about the Iranian Finding

1. On 17 November I met with Stan Sporkin to get his recollection of our involvement with the Iranian Finding that has been discussed in the press recently. Stan recalled that he was brought into this by DDCI McMahon who asked Stan to get briefed by two individuals from ~~NE~~ Division. While Stan was not sure of the exact dates [illegible] recalls that he learned that some equipment had been ship[illegible] to Iran. He concluded that a Finding was needed for CIA [illegible]vement and he recalls working on a draft which he gave to [illegible] McMahon. He also thinks he had some discussion of this [illegible] you.

2. Later, after these [illegible]s, Stan received a call from Oliver North who asked that [illegible] come over to help draft a Finding. Stan recalls that [illegible]aid he couldn't do this without clearance from you and he c[illegible] you to get your approval when you were in Palm Springs. [illegible]bsequent check of your calendar indicates that you were in [illegible] Springs between Christmas and New Years 1985.]

3. After working with North on a draft Finding, Stan recalls that he told North that the operation and draft Finding had to be cleared with you. On a Sunday, Stan recalls that he and North went to your house and met with you and that he and North then went back to the White House. Stan recalls that he suggested putting in the third (3) objective in [illegible] Finding which was to further the release of hostages he[illegible] Beirut and prevent additional terrorist acts by the group[illegible]g them. [Stan pointed out that the second paragraph of [illegible]ding, which authorizes providing arms and equipment [illegible] parties and third countries to facilitate establishi[illegible]nt[illegible]with moderate elements within and outside the gov[illegible]ent [illegible]ran, is separate from the paragraph which states th[illegible]3) objective is to further the release of hos[illegible] Beirut.

CIIN 2508

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4. Stan recalled a meeting with Secretary Weinberger and Attorney General Meese and others at which the legality of proceeding with the Finding and withholding notice was discussed. He recalled that you said the next day that Weinberger had told you that the DOD lawyers had no problems [illegible] the proposed Finding. The Attorney General said he would [illegible] at it and Stan recalls that the earlier William French S[illegible] opinion concerning an exchange for [redacted] wa[illegible] basis [illegible] the AG's concurrence.

5. [illegible] conclusion, Stan suggested emphasizing that the paragraph authorizing provision of arms was not directly related to obtaining the hostages and that there were several non-covert action objectives at issue, one of which was to get more intelligence on who was controlling the hostages and whether or not Syria was involved.

David P. Doherty

DO [illegible] 217

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EXHIBIT CWW-50

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DEFENSE LEGAL SERVICES

GENERAL COUNSEL
DEFENSE SECURITY ASSISTANCE AGENCY
WASHINGTON, D.C. 20301

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In reply refer to:
I-000443/87

January 21, 1987

MEMORANDUM FOR THE DIRECTOR, DSAA

SUBJECT: Arms Sales to Iran

This responds to your request for a legal analysis of the U.S. laws applicable to the transfers of defense articles to Iran as have been publicly disclosed over the last ten weeks or so. Since we have no factual information concerning these transfers, this analysis proceeds on the assumption that the facts of the matter as alleged in the press are true. Issues concerning the commission of crimes, if any, or the receipt and application of funds for such transfers are beyond the scope of your request. Questions concerning the lawful roles of various Executive Branch agencies or international terrorism policy are likewise generally excluded from this analysis.

The arms transfers to Iran that are the subject of this memorandum appear to fall into two categories. First, transfers of defense articles originally sold to the Government of Israel under the Arms Export Control Act by the U.S. Government or under munitions export license by private United States firms. These transfers were apparently made by the Government of Israel, directly or indirectly, to the Government of Iran in the latter half of calendar year 1985. U.S. Government approval ("prior consent") or condonation ("after-the-fact acceptance") of these Israeli transfers was allegedly involved as well as a commitment by the U.S. Government to replace the defense articles transferred with substitute items in order to maintain the readiness of Israeli defense forces. Second, transfers of defense articles by the U.S. Government, directly or indirectly, to the Government of Iran during the first ten months of calendar year 1986. These transfers were apparently made by the Central Intelligence Agency (CIA) under a Presidential finding on January 17, 1986, authorizing such transfers. The defense articles transferred by the CIA were obtained in whole or in part from DoD stocks by the CIA under the Economy Act of 1932, as amended, prior to their transfer to Iran.

I. Israeli Transfers to Iran

Defense articles are authorized to be sold under the Arms Export Control Act (AECA) for only five purposes spelled out in section 4 AECA: internal security of the purchaser; legitimate self-defense of the purchaser; regional or collective arrangements or measures in which the purchaser participates; United

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under provisions of E.O. 12356
by B. [illegible]

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Nations collective measures in which the purchaser participates; and military civic action activities in which the military forces of the purchaser participate. Sales are not authorized to be made to enable the purchaser to retransfer the items sold to another party, governmental or otherwise. An exception to the last statement is recognized in the case of intra-NATO lead-nation procurement by paragraph (4)(C) of subsection 3(d) AECA. It is, nevertheless, correct to say that foreign military sales (FMS) may not legally be made by the U.S. Government if the purpose of the sale is known at the time of the sale to be the retransfer, by sale or otherwise, to any other party outside the NATO Alliance. A commitment by the U.S. Government to replace defense articles in Israeli stocks through the FMS program with the actual knowledge that the shortages in such stocks would result from Israeli third-party transfers of items sold originally under FMS to Israel is inconsistent with the spirit of section 4 AECA, even assuming lawful prior U.S. consent to such third-party transfers. The situation may, however, be ameliorated if prior Congressional notice of the circumstances involved in the proposed third-party transfer and resupply were made under section 3(d) AECA and section 36(b)(1) AECA. This is so because the AECA emphasizes the desire of the Congress for oversight of "bilateral" arms transfer decisions by the U.S. Gvoernment vis-a-vis each foreign recipient. In the event that the dollar values involved in the third-party transfer and resupply do not meet or exceed the threshholds specified in section 3(d) ACEA and section 36(b)(1) AECA, Congressional notification is inappropriate and no legal basis for the combined operation is available. In such circumstances an FMS transaction directly with the "third-party" is required.

A variation of the above analysis may be found where the defense articles are exported by private United States firms under munitions export license authority pursuant to section 38 AECA. The International Traffic in Arms Regulations (ITARs) require the exporter to declare on its export license application the "country of ultimate destination" and, in the case of a foreign manufacturing agreement, the "sales territory" in which the manufactured items may be sold. Congressional notification requirements for third-party transfers of such items and for export of them from the United States are found in section 3(d)(3) AECA and section 36(c)(1) AECA. The ITARs themselves specify the conditions under which prior U.S. Government consent is required for retransfers of items exported thereunder.

Defense articles sold under the FMS program by the U.S. Government must be sold subject to the conditions set forth in section 3(a)(2) AECA, i.e., that the purchaser agree not to transfer them to "anyone not an officer, employee, or agent" of the purchaser "unless the consent of the President has first been

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obtained." The actual sales contract clarifies that the consent must be "written" (paragraph B.9, Annex A, DD Form 1513) as well as prior to the transfer. If Israel transferred items to Iran without the prior consent of the President, section 3(e) AECA requires that any information to that effect be reported "immediately" to the Congress. This responsibility has been delegated to the Secretary of State by Executive Order 11958. Moreover, section 3(c) AECA would, in that event, make Israel ineligible for additional FMS credits unless neither the President nor the Congress by joint resolution determined that a "substantial violation" occurred. Cash sales and deliveries of previous FMS to Israel would be terminated in the event it is determined under similar conditions that a "substantial violation" occurred in using the items for a purpose "not authorized under section 4."

However, if Israel sought the written consent of the President (or the Secretary of State to whom this function is also delegated by Executive Order 11958) prior to the transfer to Iran, section 3(a) AECA requires that consent be withheld until the proposed recipient foreign country (i.e., Iran) "provides a commitment in writing to the United States Government that it will not transfer such defense articles, if not demilitarized, to any other foreign country or person without first obtaining the consent of the President." Moreover, the last paragraph of section 3(a) AECA prohibits the President from giving his consent to a third-party transfer "unless the United States itself would transfer the defense article under consideration to that country." Congress is thereby prohibiting the transfer of defense items indirectly if the United States would not -- for legal or policy reasons -- itself transfer them directly. The United States maintains a policy of strict neutrality towards Iran and Iraq as regards their conflict and conducts a campaign, publicly and privately, against military supplies for either belligerent. Iranian Foreign Asset Control Regulations, issued pursuant to various Executive Orders, strictly prohibit financial transactions with Iran except under Treasury license. Finally, the U.S. Government has repeatedly identified Iran as engaged in "state-supported international terrorism." Section 3(f) AECA prohibits FMS directly to "any government which aids or abets, by granting sanctuary from prosecution to, any individual or group which has committed an act of international terrorism." The Iranian government has apparently strong influence over certain terrorist groups in Lebanon and may have afforded them "sanctuary" within the meaning of section 3(f) AECA. There are, thus, several bases -- legal and policy bases -- on which one must analyze the legality of any prior written consent to transfer FMS-origin items to Iran, if indeed there was such consent. On the other hand, assuming that the United States

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Government shortly thereafter made sales of military items of similar capabilities itself to Iran, it may be argued that the statutory test was demonstrably met in that "the United States itself would transfer the defense article under consideration to that country." No Iranian retransfer assurances were, of course, obtained by the U.S. Government in writing. This conclusion leads one to opine that the Israeli transfers to Iran during the latter half of calendar year 1985 were made without the prior written consent of the United States Government.

II. CIA Transfers to Iran

DoD stocks of defense articles are authorized to be sold to "any eligible country" under certain conditions set out in section 21(a) AECA. Iran was made eligible by the President for FMS by a formal determination reaffirming its eligibility on January 2, 1973 (38 Fed. Reg. 7211; 3 CFR (1971-1975 Comp.) 1105) pursuant to section 3(a) AECA:

> "SEC. 3. Eligibility.--(a) No defense article or defense service shall be sold or leased by the United States Government under this act to any country ... unless--
> "(1) the President finds that the furnishing of defense articles and defense services to such country ... will strengthen the security of the United States and promote world peace;
>
> * * *
>
> "(4) the country ... is otherwise eligible to purchase or lease defense articles or defense services." (emphasis added.)

As noted above, there is substantial question as to whether Iran was "otherwise eligible" in 1986 for FMS based upon, inter alia, its support of international terrorism within the meaning of section 3(f) AECA. However, the prohibition in section 3(a) AECA that is quoted above is limited to sales made under the Arms Export Control Act. Similarly, the detailed rules pertaining to FMS throughout the AECA, e.g., section 36(b)(1) AECA, are quite rightly limited to sales made under that act.

The transfers to Iran in 1986 were apparently made by the CIA under a different authority. Section 662 of the Foreign Assistance Act of 1961, as amended, provides:

> "SEC. 662. Limitation on Intelligence Activities.--No funds appropriated under the authority of this or any other Act may be expended by or on behalf of the

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Central Intelligence Agency for operations in foreign countries, other than activities intended solely for obtaining necessary intelligence, unless and until the President finds that each such operation is important to the national security of the United States. Each such operation shall be considered a significant anticipated intelligence activity for the purpose of section 501 of the National Security Act of 1947."

Section 501 of the National Security Act of 1947, referred to above, provides in pertinent part:

"SEC. 501. Congressional oversight

"(a) Reports to Congressional Committees of current and proposed activities

"To the extent consistent with all applicable authorities and duties, including those conferred by the Constitution upon the executive and legislative branches of the Government, ... the Director of Central Intelligence ... shall--

"(1) Keep the Select Committee on Intelligence of the Senate and the Permanent Select Committee on Intelligence of the House of Representatives ... fully and currently informed of all intelligence activities ... including any significant anticipated intelligence activity, except that ... if the President determines it is essential to limit prior notice to meet extraordinary circumstances affecting vital interests of the United States, such notice shall be limited to the chairman and ranking minority members of the intelligence committees, the Speaker and minority leader of the House of Representatives, and the majority and minority leaders of the Senate.

* * *

"(b) Failure to inform; reasons

"The President shall fully inform the intelligence committees in a timely fashion of intelligence operations in foreign countries, other than activities intended solely for obtaining necessary intelligence, for which prior notice was not given under subsection (a) of this section and shall provide a statement of the reasons for not giving prior notice.

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"(c) Establishment of procedures for relaying information

"The President and the intelligence committees shall each establish such procedures as may be necessary to carry out the provisions of subsections (a) and (b) of this section." (emphasis added.)

Until 1985 there were disputes concerning the statutory authority of the CIA to transfer military items to foreign governments outside the Arms Export Control Act and the Foreign Assistance Act of 1961 and, in particular, whether such transfers could legally be considered to form a part of a "significant anticipated intelligence activity" within the meaning of section 662 of the Foreign Assistance Act of 1961 and section 501 of the National Security Act of 1947. These disputes were settled with the enactment on December 4, 1985, of section 403 of the Intelligence Authorization Act for Fiscal Year 1986 (P.L. 99-169, 99 Stat. 1002, 1006). That section read:

"Notice to Congress of Certain Transfers of Defense Articles and Defense Services

"SEC. 403.(a)(1) During fiscal year 1986, the transfer of a defense article or defense service exceeding $1,000,000 in value by an intelligence agency to a recipient outside that agency shall be considered a significant anticipated intelligence activity for the purpose of section 501 of the National Security Act of 1947." (emphasis added.)

Paragraph (2) of section 403 of P.L. 99-169 provided that paragraph (1) did not apply if the transfer "is being made pursuant to authorities" contained in security assistance legislation or if the transfer "is not being made in conjunction with an intelligence or intelligence-related activity." The provisions of section 403 were made permanent and a part of the National Security Act of 1947 by section 602 of the Intelligence Authorization Act for Fiscal Year 1987 (P.L. 99-569, October 27, 1986).

Thus, the Presidential finding of January 17, 1986, apparently authorized the CIA to transfer defense articles of a value in excess of $1 million each to Iran, subject to the notification requirements of section 501 of the National Security Act of 1947. To the extent that the value of each defense article was less than $1 million, section 662 of the Foreign Assistance Act of 1961 appears to treat its transfer also, as a significant anticipated intelligence activity.

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The CIA purchased some or all of the defense articles involved from DoD stocks pursuant to the Economy Act of 1932, as amended (31 USC 1535, 1536) based upon their "actual value." The CIA's authority in this regard is expressly recognized by section 502(a)(4) of the National Security Act of 1947, enacted by section 401 of the Intelligence Authorization Act for Fiscal Year 1986 (P.L. 99-169, Dec. 4, 1985, 99 Stat. 1002,1005).

It should be noted parenthetically that apparently all but the last of the CIA transfers to Iran occurred before August 27, 1986, when the Omnibus Diplomatic Security and Antiterrorism Act of 1986 was enacted. Section 509 of this Act (P.L. 99-399, 100 Stat. 853, 874) added a new section 40 AECA that specifically prohibits export of Munitions List items to countries that repeatedly provide support for acts of international terrorism; Iran has been so designated. The press has reported that the Department of State suggested to the Congress that section 40 AECA does not nullify the Presidential finding with regard to Iran made on January 17, 1986.

Jerome H. Silber

Jerome H. Silber

Atchs:
FMS Eligibility Determination, 1973
Sec. 40 AECA

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Presidential Documents

Title 3—The President

MEMORANDUM OF JANUARY 2, 1973

[Presidential Determination No. 73-10]

Eligibility for the Purchase of Defense Articles Under the Foreign Military Sales Act, As Amended

Memorandum for the Secretary of State

THE WHITE HOUSE,
Washington, January 2, 1973.

In accordance with the recommendations in your memorandum of December 4, I hereby find pursuant to Section 3(a)(1) of the Foreign Military Sales Act, as amended, that the sale of defense articles and defense services to: *FAR EAST:* Australia, Brunei, Burma, Cambodia, Republic of China, Indonesia, Japan, Republic of Korea, Laos, Malaysia, New Zealand, Philippines, Singapore, Thailand, Republic of South Vietnam; *EUROPE:* Austria, Belgium, Denmark, Finland, France, Federal Republic of Germany, Iceland, Ireland, Italy, Luxembourg, Malta, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, Yugoslavia; *WESTERN HEMISPHERE:* Argentina, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay, Venezuela; *AFRICA:* Cameroon, Dahomey, Ethiopia, Gabon, Ghana, Guinea, Ivory Coast, Liberia, Libya, Mali, Morocco, Niger, Nigeria, Senegal, Tunisia, Upper Volta, Republic of Zaire; *NEAR EAST AND SOUTH ASIA:* Afghanistan, Bahrain, Greece, India, Iran, Israel, Jordan, Kuwait, Lebanon, Nepal, Oman, Qatar, Pakistan, Saudi Arabia, Sri Lanka (Ceylon), Turkey, the United Arab Emirates, Yemen Arab Republic; *INTERNATIONAL ORGANIZATIONS:* NATO and its agencies, the United Nations and its agencies, and the Organization of American States, will strengthen the security of the United States and promote world peace.

In the implementation of Section 9 of Public Law 91-672, as amended, you are authorized on my behalf to determine whether the proposed transfer of a defense article by a foreign country or international organization to any foreign country or international organization

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not included in the foregoing enumeration will strengthen the security of the United States and promote world peace.

In order that the Congress may be informed of the implementation of the Foreign Military Sales Act, you are requested on my behalf to report this finding to the Speaker of the House of Representatives and to the Chairman of the Senate Foreign Relations Committee.

Richard Nixon

[FR Doc.73-5338 Filed 3-16-73;10:16 am]

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equipment and commodities, and training in the use of such equipment and commodities. The authority contained in this section shall be exercised by the Department of State's office responsible for administering chapter 8 of part II of the Foreign Assistance Act of 1961, in coordination with the Agency for International Development. 22 USC 2349aa.

SEC. 509. EXPORTS TO COUNTRIES SUPPORTING ACTS OF INTERNATIONAL TERRORISM.

(a) ITEMS ON THE MUNITIONS LIST.—Chapter 3 of the Arms Export Control Act (22 U.S.C. 2771-2779) is amended by adding at the end thereof the following new section:

22 USC 2780. "SEC. 40. EXPORTS TO COUNTRIES SUPPORTING ACTS OF INTERNATIONAL TERRORISM.

"(a) PROHIBITION.—Except as provided in subsection (b), items on the United States Munitions List may not be exported to any country which the Secretary of State has determined, for purposes of section 6(j)(1)(A) of the Export Administration Act of 1979 (50 U.S.C. App. 2405(j)(1)(A)), has repeatedly provided support for acts of international terrorism.

President of U.S. Reports. "(b) WAIVER.—The President may waive the prohibition contained in subsection (a) in the case of a particular export if the President determines that the export is important to the national interests of the United States and submits to the Congress a report justifying that determination and describing the proposed export. Any such waiver shall expire at the end of 90 days after it is granted unless the Congress enacts a law extending the waiver.".

(b) OTHER GOODS AND TECHNOLOGY.—Section 6(j)(1) of the Export Administration Act of 1979 (50 U.S.C. App. 2405(j)(1)) is amended by striking out "$7,000,000" and inserting in lieu thereof "$1,000,000".

TITLE VI—INTERNATIONAL NUCLEAR TERRORISM

SEC. 601. ACTIONS TO COMBAT INTERNATIONAL NUCLEAR TERRORISM.

22 USC 3244. (a) ACTIONS TO BE TAKEN BY THE PRESIDENT.—The Congress hereby directs the President—

(1) to seek universal adherence to the Convention on the Physical Protection of Nuclear Material;

(2) to—

(A) conduct a review, enlisting the participation of all relevant departments and agencies of the Government, to determine whether the recommendations on Physical Protection of Nuclear Material published by the International Atomic Energy Agency are adequate to deter theft, sabotage, and the use of nuclear facilities and materials in acts of international terrorism, and

(B) transmit the results of this review to the Director-General of the International Atomic Energy Agency;

(3) to take, in concert with United States allies and other countries, such steps as may be necessary—

(A) to keep to a minimum the amount of weapons-grade nuclear material in international transit, and

(B) to ensure that when any such material is transported internationally, it is under the most effective means for adequately protecting it from acts or attempted acts of sabotage or theft by terrorist groups or nations; and

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A. Could the FMS or commercial licensing system have been used to make these sales - with or without Congressional notification?

- Sales can only be made by the USG to foreign countries and international organizations that the President formally determines to be eligible for sales because "the furnishing of defense articles and defense services to such country or international organization will strengthen the security of the United States and promote world peace."

- Sales can only be made for one or more of the following purposes: (1) internal security; (2) legitimate self-defense; (3) military civic action; (4) participation in regional or collective arrangements consistent with the UN Charter; and (5) participation in collective measures requested by the UN.

- The purchaser must agree not to transfer title to (or possession of) the sold items to any third party or to use them for purposes other than those for which furnished without the prior consent of the President (the actual sales contract requires that the consent be in writing).

- The purchaser must agree to maintain the security of the items sold.

- The purchaser must agree to pay for the items sold in U.S. dollars -- generally in advance of delivery from DoD stocks or at such times as DoD requires such payments in order to make payments on a DoD procurement contract.

B. What are the prohibitions to sales?

- Sales may not be made by the USG if the purchaser requires in performance of the sales discrimination against any U.S. person on the basis of race, religion, national origin, or sex.

- Sales may not be made if USG or contractor personnel are to perform any duties of a combatant nature, including any duties related to training or advising that may engage U.S. personnel in combat activities, outside the United States.

- Sales may not be made to any government which "aids or abets, by granting sanctuary from prosecution to, any individual or group which has committed an act of international terrorism."

- Sales may not be made to any economically less developed country diverting U.S. development assistance or its own resources to "unnecessary military expenditures."

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- Sales may not be made unless the Congress is given prior notification of the proposed sales if the sales is worth $50 million or more ($14 million or more of major defense equipment) -- and the Congress does not enact a law prohibiting the notified sales within a specified time period.

C. What are the requirements for third party transfers?

- The President (or the Secretary of State by delegation of authority) must give prior written consent to any proposed transfer of the items sold by any purchaser to any person, firm, or government that is not the purchaser's "officer, employee, or agent."

- Consent to transfer may not be given "unless the United States itself would transfer the defense article under consideration" to that third party.

- Transfers of significant defense articles may not be consented to unless (1) the foreign country requesting consent to transfer agrees to demilitarize such defense articles prior to transfer, or (2) the proposed recipient foreign country provides a commitment in writing to the USG that it will not transfer such items, if not demilitarized, to any other foreign country or person without first obtaining the consent of the President.

D. Regarding third party transfers, what are the requirements for Congressional notification?

- Before consent to transfer may be given, the Congress must first be notified of the proposed transfer -- and the Congress does not enact a law prohibiting the notified transfer within a specified time period -- in those cases where the transfer is of items originally worth $50 million or more ($14 million or more of major defense equipment).

E. Are there any proposed transfers to third parties that do not require prior Congressional notification?

- Yes, if the transferred items are below the dollar threshholds listed above). However, even in those cases the President must give prior written consent to the purchaser and must obtain the required written retransfer assurances from the third country.

- No Congressional notification is required in the case of transfers either on a temporary basis for the sole purpose of maintenance, repair, or overhaul or if they involve NATO cooperative cross servicing or intra-NATO lead-nation procurement (and so previously notified to the Congress if above notification threshholds).

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F. Regarding proposed USG sales to foreign countries and international organizations of $50 million or more ($14 million or more if major defense equipment), what must the Congress be told about the proposed sale?

- Each notification must identify the purchaser, the dollar amount of the sale and the quantity, a description of the item to be sold, the military department proposing to make the sale, whether and the amount of any agents' fees or contributions to be made to promote the sale, and the sensitivity of technology proposed to be sold and a detailed justification of the reasons necessitating the sale in view of the sensitivity of such technology. A cross-reference to any prior quarterly report to the Congress on price and availability given pertaining to the proposed sale must also be included in the notification.

- At the request of either the Senate Foreign Relations Committee or the House Foreign Affairs Committee, additional very detailed information must be supplied concerning the proposed sale.

G. Regarding F. above, are there any circumstances which may require additional notification to the Congress about the same sale?

- Yes, if the fundamental nature of the proposed sale is altered by the Executive Branch after notification and before the sale is actually offered and accepted or if the estimated price or other conditions are substantially different than that notified when the sales contract is mad

- Further notification or report must be made to the Congress the sensitivity of technology or capability as described in the original notification is to be enhanced or upgraded prior to delivery. If the cost of the enhancement or upgrade is above the original notification threshholds, the notification must be made before the change is put on contract or otherwise implemented -- and the Congress does enact a law prohibiting the notified enhancement or upgrade within a specified time period.

H. Are there any differences with regard to Congressional notification between USG proposed sales and proposed direct commerci exports?

- Direct commercial contracts may be made without prior Congressional notification; only exports in implementation of such contracts may be notified to Congress and then only if above dollar threshholds.

- The information supplied to the Congress on direct commerc exports is much less comprehensive and detailed than that vided regarding USG sales.

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- Congress is not afforded a specified time period in which enact a law prohibiting exports to NATO, Japan, Australia,

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NIACT IMMEDIATED
FOR AMBASSADOR PICKERING AND COL STEELE FROM GEN GORMAN
SUBJECT: FELIX RODRIGUEZ (U)

1. (C) I HAVE JUST MET HERE WITH FELIX RODRIGUEZ, [redacted] PENSIONER FROM MIAMI, BORN IN CUBA, A VETERAN OF GUERRILLA OPERATIONS [redacted] HE IS OPERATING AS A PRIVATE CITIZEN, BUT HIS ACQUAINTANCESHIP WITH THE VP IS REAL ENOUGH, GOING BACK TO LATTER'S DAYS AS DCI.

2. (C) RODRIGUEZ' PRIMARY COMMITMENT TO THE REGION IS IN [redacted] WHERE HE WANTS TO ASSIST THE FDN. I TOLD HIM THAT THE FDN DESERVED HIS PRIORITY. I ALSO TOLD HIM THAT YOUR WORK WITH THE PRAL WAS ADVANCING WELL, AND THAT WE HAD MADE PROGRESS WITH TRAINING OTHER PATROL FORCES. I WARNED HIM THAT WHATEVER HIS CONSULTING ROLE IN EL SAL AMOUNTED TO, HE COULD NOT BECOME VISIBLE TO THE PRESS IN ANY SENSE WITHOUT DAMAGING OUR CAUSE THERE. I ALSO CAUTIONED THAT EL SAL WAS A VERY MUCH MORE DELICATE ENVIRONMENT WITH RESPECT TO CIVIL-MILITARY RELATIONS AND RESPECT FOR HUMAN RIGHTS THAN ANY HE HAD OPERATED IN BEFORE.

3. (C) HE WILL WANT TO FLY WITH THE ESAF TO ESTABLISH HIS CREDIBILITY, BUT THAT BIT OF MACHISMO SEEMS TO ME BOTH UNNECESSARY AND UNWISE.

4. (C) MY JUDGMENT IS THAT HIS ADVICE WILL REINFORCE OURS, AND THAT WE SHOULD PUT NO OBSTACLES IN HIS WAY TO CONSULTING WITH BLANDON OR BUSTILLO UNLESS AND UNTIL WE GET COUNTERINDICATIONS. I RECOMMEND THAT JIM STEELE MEET WITH HIM. [redacted] AND AMBASSADOR MAY ALSO WANT TO INTERVIEW HIM, BUT OUR MAIN INTEREST IS, AS I SEE IT, TO INSURE WE KNOW WHAT HE IS TELLING BLANDON AND BUSTILLO VIA IN-BRIEF AND OUT-BRIEF.

5. (C) ASSUMING YOUR APPROVAL, I WILL SEND RODRIGUEZ TO [redacted] TOMORROW, 15 FEB, ON ONE OF MY C-12S. HE WILL ARRIVE AROUND [illegible] LOCAL. HE IS A LONG-TIME FRIEND OF LOU RODRIGUEZ AND, IF AVAILABLE, WOULD APPRECIATE IT IF LOU COULD BE HIS CONTACT POINT. I ANTICIPATE HE WILL WANT TO DEPART FOR MIAMI ON SATURDAY.

DECLAS OADR
SSO NOTE: DELIVER IMMEDIATELY.
#W225

NNNN

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under provisions of E.O. 12356
by B. Reger, National Security Council

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Gorman

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File for me
S

BACK CHANNEL

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under provisions of E.O. 12356
by B. Reger, National Security Council

ACTION: STATE RCI, IMMEDIATE
USSOUTHCOM, IMMEDIATE

EYES ONLY FOR ARA MOTLEY AND JOHNSTONE; SOUTHCOM FOR GENERAL GORMAN FROM PICKERING

SUBJ: MEETING WITH FELIX RODRIGUEZ

1. I HAD A VALUABLE MEETING WITH FELIX RODRIGUEZ FEBRUARY 15.

2. HE HAS OUTLINED A TACTIC WHICH I BELIEVE HAS MERIT AND SHOULD BE TRIED OUT, VIZ: [redacted]

OBVIOUSLY OTHER VARIATIONS ARE POSSIBLE, BUT WE WILL HAVE TO INTEGRATE [redacted] ISSUE AND HANDLE IT BETTER THAN EVER BEFORE IF IT IS TO WORK, SOMETHING I AGREE WITH ON ITS OWN.

3. RODRIGUEZ WILL RETURN IN 3-4 WEEKS TO WORK WITH BUSTILLO (FAS) AND STEELE. STEELE WILL MONITOR CLOSELY. RODRIGUEZ UNDERSTANDS MY GENERAL RULES -- NO CIVILIAN CASUALTIES AND HE IS NOT TO ACCOMPANY FAS ON COMBAT MISSIONS AND AGREES. WE WILL START

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SLOWLY AND CAREFULLY TO SEE WHAT APPROACH CAN PRODUCE. HE WILL TAKE ON HIGHER PRIORITY [redacted] MISSION FIRST.

4. FOR ARA: PLEASE BRIEF DON GREGG IN VP'S OFFICE FOR ME.

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EXHIBIT CWW-52

UNCLASSIFIED
DEPARTMENT OF THE ARMY
OFFICE OF THE CHIEF OF STAFF
WASHINGTON D C 20310-0200

[redacted]

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DACS-DMP

22 SEP 1986

MEMORANDUM FOR VICE CHIEF OF STAFF, ARMY 24 Sep 86

[redacted]

SUBJECT: ROAM STOCK Support (U)

1. (U) Reference ODCSLOG action memorandum first under.

2. (S) Support to project CROCUS was directed by the CSA to ODCSLOG in late May or early April 1986. Although the Chief, [redacted] was advised of the required support, taskings did not flow through the [redacted] System. Therefore, supporting memorandum with normal legal review and formal Army leadership approval are unavailable. Reference was prepared in an attempt to begin formal written documentation for support to project CROCUS. However, the ODCSLOG memorandum fails to adequately provide the necessary background for the leadership.

3. (C) Recommend you discuss this issue with the DCSLOG as the requested support does impact on the Army's air defense capability.

ROBERT T. HOWARD
Colonel, GS
Chief, Technology Managment Office

Sir: MFR from LTG Russo has been added as tab B. Talked to CSA he asked that you drop next under, that I discuss the action ~~with~~ with SA and file it. He is uneasy about too much written material being passed around on this.

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under provisions of E.O. 12356
by B. Reger, [illegible]

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EXHIBIT R-16

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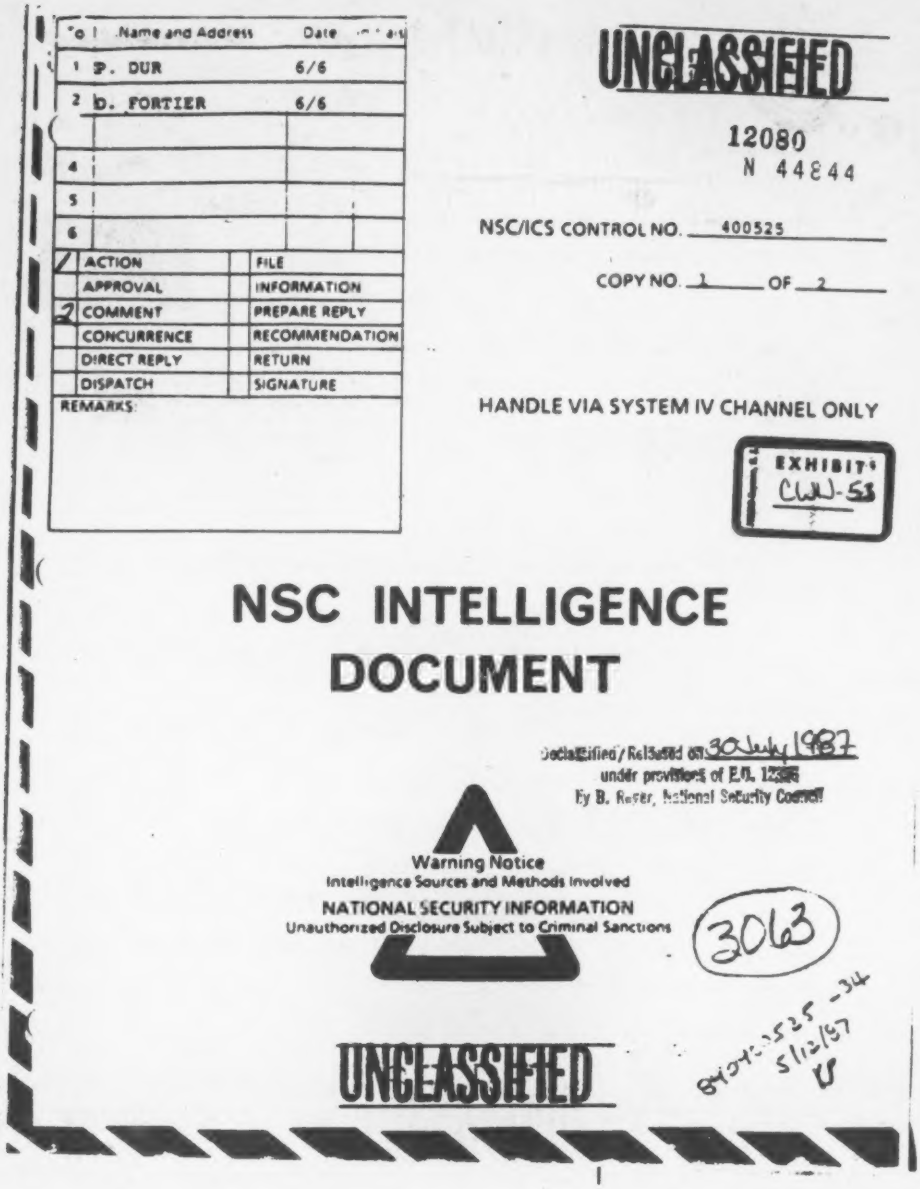
CLASSIFIED BY: DASP (U)
DECLASSIFY ON: OADR

EXHIBIT CWW-53



To	Name and Address	Date	Initials
1	P. DUR	6/6	
2	D. FORTIER	6/6	
4			
5			
6			

1	ACTION		FILE
	APPROVAL		INFORMATION
2	COMMENT		PREPARE REPLY
	CONCURRENCE		RECOMMENDATION
	DIRECT REPLY		RETURN
	DISPATCH		SIGNATURE

REMARKS:

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N 44844

NSC/ICS CONTROL NO. 400525

COPY NO. 1 OF 2

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EXHIBIT
CWW-53

NSC INTELLIGENCE DOCUMENT

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By B. Reger, National Security Council

Warning Notice
Intelligence Sources and Methods Involved
NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

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5/12/87
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UNCLASSIFIED CONTROL NO.

THE SECRETARY OF DEFENSE

WASHINGTON THE DISTRICT OF COLUMBIA

6 P3: 03

5 JUN 1984

Bud

N 44845

MEMORANDUM FOR ASSISTANT TO THE PRESIDENT FOR
NATIONAL SECURITY AFFAIRS

SUBJECT: U.S. Export Policy Toward Iran (U)

~~(S)~~ In your May 7, 1984 memorandum regarding "Iraqi Military Needs," you directed an interagency review and recommendations on U.S. export policy toward Iran. Unable to reach interagency agreement on specific recommendations, State coordinated and has submitted a discussion paper on U.S. Export Policy Toward Iran for NSC consideration. In light of recent escalation of the Iran-Iraq war in the Gulf and the increased threat of Iranian military and terrorist action against the United States and/or the Gulf States, I strongly recommend current export controls on Iran be tightened immediately.

~~(S)~~ A serious gap exists in current U.S. export control regulations, which allow dual-use items such as aircraft and spare parts valued under $3 million, helicopters under 10,000 lbs, and other items controlled for national security purposes valued under $7 million to be exported legally to Iran. These monetary and weight thresholds are essentially arbitrary figures in the anti-terrorism control regulations and have allowed countries such as Iran to circumvent the political goals and intent of U.S. foreign and national security export policies.

~~(S)~~ Although the value of such items is low, their export to Iran has contributed to Iran's military and terrorist capabilities, which might soon be directed against us or the Gulf States. Dual-use items such as light aircraft would be particularly useful in terrorist actions against our interests. In addition, continuation of this trade totally undermines our efforts with other countries to dry up arms supplies to Iran. We cannot expect the United Kingdom, Italy, South Korea, and others to restrict sales of items similar to those we allow to be exported to Iran.

Classified by: SecDef
Declassify on: OADR

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under provisions of E.O. 12356
by B. Reger, National Security Council

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~~(S)~~ We recognize the potential costs of export controls on relations with our allies. However, these costs are an essential political price to achieve our goals. The additional costs of eliminating these thresholds would not be significantly greater than those created by existing export controls applied to countries supporting international terrorism. These costs should be weighed against the longer-term price of continued Iranian intransigence and hostility directed at U.S. interests.

~~(S)~~ Finally, we should not allow the limitations of our controls effectively to stop the flow of all dual-use items to Iran to be used as an excuse for not making our best possible efforts to stop this trade. In view of the above, I strongly recommend that we immediately eliminate the monetary and weight thresholds in current anti-terrorism export control regulations in order to stem the flow of dual-use items to Iran.

Cap

cc:
Secretary of State
Secretary of Commerce

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Exhibit CWW-54

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EXTRACTS OF LTCOL HILL'S NOTES: D 2910

20 FEB: DISCUSSION W/ MIL ASSISTANT TO SECDEF (MG POWELL) STATED THAT ACCORDING TO HIGHEST DOD LEGAL AUTHORITY DOD HAS NO RESPONSIBILITY FOR NOTIFICATION OF INTEL COMMITTEES OF BREACH OF $14M THRESHOLD (BOOK #8)

16 APR: LIST OF [redacted] ISSUES INCLUDES NOTE RE: STATUS OF HAWK PARTS (BOOK #9, 16 APR)

21 APR: UPDATE ON HAWK ISSUE FOR VCSA (BOOK #9)

7 MAY: ADCSLOG INFORMED THAT TOWS/HAWK PARTS ABOUT TO BE SHIPPED - WILL INFORM ADM JONES (MIL ASST TO SECDEF) (BOOK #9)

21 MAY: ADCSLOG INFO RE: TOW SHIPMENT (508) AND HAWK PARTS (223 LINES) THUS LOOKING AT RADARS ORIGINALLY BEING HELD FOR IRAN. (BOOK #9)

McDonald
COL, USA

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under provisions of E.O. 12356
by B. Reger, National Security Council

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EXHIBIT
CWW-54

EXHIBIT CWW-55

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[redacted]

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CHRONOLOGY OF EVENTS
PROJECT SNOWBALL

AUG 85 or SEP 85	(S)	Israel sent 508 TOWs to Iran. (Mr. Armitage, ASD(ISA), sworn testimony, 24 Dec 86 and Mr. [redacted] CIA, sworn testimony, 7 Jan 87) (EXHIBITS B-17 and B-22)
Fall 85	(S)	Idea of TOW missiles for Iran discussed by NSC. NSC staff (VADM Poindexter or Lt Col North) mentioned $25 million available, and they were trying to get as many missiles as possible for the amount. Military Assistant to SECDEF asked to find cost of TOW. He went to the Defense Security Assistance Agency and got price of $10 to $11 thousand each. (LTG Powell, former Senior Military Assistant to SecDef, sworn testimony, 22 Dec 86) (EXHIBIT B-1)
17 JAN 86	(S)	CIA agent contacted MG Russo about transfer of TOWs to CIA. [redacted] (S), CIA sworn testimony, 12 Jan 87) (EXHIBIT B-26) NOTE: Mr. [redacted] based this date on a recalling a Friday CIA meeting to plan the project before contacting MG Russo. The meeting, and hence the contact, actually occurred on 24 Jan 86. See below.
18 JAN 86	(S)	MG Powell, on authority of SECDEF, told VCSA of requirement to ship approximately 4000 TOW missiles to the CIA, ultimate destination not specified. (LTG Powell, former Senior Military Assistant to SecDef, sworn testimony, 22 Dec 86) (EXHIBIT B-1)
18 JAN 86	(S)	VCSA, as Acting CSA, received order from Military Assistant to SECDEF to be prepared to ship 1000 basic vanilla TOWs to CIA, with follow on shipments of up to 3000 more. Was told it was a closely held order and could expect 8 to 12 to 36 hours notice. Not told to whom shipment was going. (GEN Thurman, VCSA, sworn testimony, 31 Dec 86) (EXHIBIT B-2)
18 JAN 86	(S)	

30 July 87

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EXHIBIT P-1 SECRET - SPECIAL ACCESS REQUIRED

NOTE: Dates and sources in bold type indicate DAIG investigators' additions to DCSLOG Chronology.

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		VCSA went to LTG Register, the DCSLOG, and told him to be prepared to ship 1000 vanilla TOW missiles with no sights, followed by 3000 TOWs later. He was told the order to ship may come at any time, to keep a record of the costs and who we do business with, and keep the CSA informed. (LTG Register, DCSLOG, DA, sworn testimony, 26 Dec 86) (EXHIBIT B-4)
18 JAN 86	(S)	VCSA told COL McDonald, TMO, of the requirement and of his actions and directed a MFR be written. VCSA also informed CSA of the requirement and his actions, and informed MG Powell that he "had turned on the switch." (GEN Thurman, VCSA, sworn testimony, 31 Dec 86 and TMO MFR, Warning Order, 18 Jan 86) (EXHIBITS B-2 and AE)
18 JAN 86	(S)	The VCSA was verbally tasked by MG Powell, OSD, to provide TOW missiles to the customer. DCSLOG tasked verbally by VCSA to be prepared to provide support. Quantity requested: about 4000 basic TOWs. (DALO-SMS-LA MFR (S), subject: Project SNOWBALL: Chronology of Events (U), 9 Dec 86) (Attached as EXHIBIT P-2)
18 JAN 86	(S)	MAJ Simpson tasked to contact MICOM and ask for assessment of Army ability to support the short suspense requirement for basic TOWs. MAJ Simpson contacted COL Lincoln at MICOM (PM-TOW) to request assistance. (DALO-SMS-LA MFR (S), subject: Project SNOWBALL: Chronology of Events, 9 Dec 86) (EXHIBIT P-2)
18 JAN 86	(U)	LTG Register called MAJ Simpson into his office and told him the requirement and told to call COL Lincoln, PM TOW, with the requirement. He also discussed how to document the transactions. (LTG Register, DCSLOG, DA, sworn testimony, 26 Dec 86) (EXHIBIT B-4)
18 JAN 86	(U)	LTG Register called in John Hill, ODCSLOG DA Logistics Staff Officer for TOW, to get the

	TOW worldwide asset availability and condition code status. (John Hill sworn testimony, 23 Dec 86) (EXHIBIT B-5)
18 JAN 86 (U)	MAJ Simpson looked up price of basic TOW in AMDF ($3169) and passed that, with the requirement, to COL Lincoln, PM TOW. (MAJ Simpson sworn testimony, 19 Dec 86) (EXHIBIT B-9)
18 JAN 86 (U)	MAJ Simpson called COL Lincoln and told him of requirement to have 1000 TOW missiles, model BGM 71A, prepared for shipment, that the AMDF price was $3169, and that he did not know the destination. (COL Lincoln unsworn testimony, 12 Dec 86) (EXHIBIT F-3)
18 or 19 JAN 86 (U)	COL Lincoln called George Williams, Deputy PM TOW, and Chris Leachman, Chief, PM TOW Logistics, and informed them of the requirement. Also informed Mr. Leachman of the price of $3169. (Mr. Leachman sworn testimony, 15 Dec 86) (EXHIBIT B-13)
NLT 20 JAN 86 (S)	Lt Col North told [redacted] CIA, to call MG Powell as the DOD point of contact for the arms transfer. [redacted] CIA, sworn testimony, 20 Jan 87) (Exhibit B-32)
20 JAN 86 (U)	LTG Register called MG Russo, ADCSLOG, and told him of project and that he, MG Russo, was responsible for its execution.(LTG Russo sworn testimony, 13 Jan 87) (EXHIBIT B-27)
20 JAN 86 (S)	MG Russo told by MG Powell that his point of contact in the CIA was [redacted] and to expect his call.(LTG Russo sworn testimony, 13 Jan 87) (EXHIBIT B-27)
20 JAN 86 (S)	MG Russo called by [redacted] and told him his action officer was MAJ Simpson. (LTG Russo sworn testimony, 13 Jan 87) (EXHIBIT B-27)
20 JAN 86 (S)	

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	[redacted] CIA, called MAJ Simpson and informed him that the missiles should be in condition code "A" (CC A). (MAJ Simpson sworn testimony, 19 Dec 86) (EXHIBIT B-9)
20 JAN 86 (S)	[redacted] advised MAJ Simpson that a quantity of 1000 was to be delivered as early as 29 Jan 86. (DALO-SMS-LA MFR (S), subject: Project SNOWBALL: Chronology of Events, 9 Dec 86) (EXHIBIT P-2)
21 JAN 86 1800 hrs (S)	MG Powell called CSA and gave him execution order for first shipment of 1000. (Unsworn discussion with GEN Wickham, 15 Jan 87, after referring to his classified telephone log.)
22 JAN 86 (S)	MG Russo and [redacted] CIA, discuss price of TOWs at $6000 each. [redacted] sworn testimony, 20 Jan 87) (Exhibit B-34)
22 JAN 86 (S)	[redacted] advised MAJ Simpson that the required quantity would be 4504 (later increased to 4508 o/a 25 Jan 86); delivery would be in three increments within 45 days. (DALO-SMS-LA MFR (S), subject: Project SNOWBALL: Chronology of Events, 9 Dec 86) (EXHIBIT P-2)
20-23 JAN (U)	George Williams informed MAJ Simpson that some of the missiles were in CC H, that it would require the installation of a Missile Ordnance Inhibit Circuit (MOIC) to put them into CC A, and this would cost $300 per missile. (MAJ Simpson sworn testimony, 19 Dec 86) (EXHIBIT B-9)
20-23 JAN 86(S) (Approx)	MG Russo, ADCSLOG,DA, talked with [redacted] CIA, about the price of $3469 for the missile with the MOIC installed. [redacted] mentioned that the Agency had $25 million available for the missiles. (1st or 2nd day into action told CIA $3169. Day or so later raised to $3469.) (LTG Russo, sworn testimony (recall), 27 Dec 86) (EXHIBIT B-7)

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22 JAN 86	(S)	Arrangements for arrival of aircraft to receive first shipment of 1000 missiles discussed with CIA. (DALO-SMS-LA MFR (S), subject: Project SNOWBALL: Chronology of Events, 9 Dec 86) (EXHIBIT P-2)
o/a 23 JAN 86	(S)	MAJ Simpson discussed pricing with COL Lincoln and Mr. Williams. The price of $3169 for the basic TOW (NSN 1410-00-087-1521) was determined to be accurate. (DALO-SMS-LA MFR (S), subject: Project SNOWBALL: Chronology of Events, 9 Dec 86) (EXHIBIT P-2)
24 Jan 86 5 P.M.	(S)	CIA meeting to plan transfers of TOW missiles from the Army to the CIA. Meeting verified by [redacted] from his calendar. He also verified that no similar occurred on 17 Jan 86. [redacted] sworn testimony, 20 Jan 87) (Exhibit B-34)
24 JAN 86	(U)	Aircraft sent from Redstone Arsenal to Ft Campbell to pick up aircraft cargo nets. (SMI Form Letter 1000-1, signed by Mr. John Finsfrock, Act Dir, Mat Mgt Dir, Missile Logistics Center, undated) (EXHIBIT P-4)
o/a 25 JAN 86	(U)	MG Russo advised by MG Powell and separately by Mr. Tom Taylor, Office of the Army General Counsel (OSAGC), that this action was governed by the Economy Act. (DALO-SMS-LA MFR (S), subject: Project SNOWBALL: Chronology of Events, 9 Dec 86) (EXHIBIT P-2)
o/a 25 JAN 86	(S)	Requested quantity of missiles increased to 4508. (DALO-SMS-LA MFR (S), subject: Project SNOWBALL: Chronology of Events, 9 Dec 86)(EXHIBIT P-2)
27 JAN 86	(S)	MG Russo informed [redacted] that the price of the TOWs was $3469 each. The CIA continued to use $6000 as a planning figure. [redacted] sworn testimony, 20 Jan 87) (Exhibit B-34)

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27 JAN 86	(U)	Phone call from MG Burbules, Cdr, MICOM, to MG Russo, ADCSLOG, DA, to attempt to get price increased. (LTG Russo sworn testimony, 13 Jan 87 and ADCSLOG telephone log) (EXHIBITS P-23 and B-27)
NLT 27 JAN 86	(U)	Meeting between MICOM TOW Item Manager (MR. John Coward) and PM TOW (Mr. Williams, Mr. Leachman, and Mr. Perry Michaels). Item Manager told to be prepared to ship 4500 TOW missiles when ordered. Included would be 2000 basic TOWs with MOIC (NSN 1512) and 2500 extended range basic TOWs (NSN 2507). (Mr. John Coward sworn testimony, 29 Dec 86) (EXHIBIT B-21)
27 JAN 86	(S)	MAJ Simpson contacted by PM TOW (Mr. Williams) on project and need to put in condition code A. Cost of MOIC established by PM TOW as $300. Cost per missile increased to $3469; need for additional funds (4508 x $300) discussed with [redacted] (DALO-SMS-LA MFR (S), subject: Project SNOWBALL: Chronology of Events, 9 Dec 86) (EXHIBIT P-2)
NLT 28 JAN 86	(U)	PM TOW (probably Mr. Leachman) called TOW Item Manager and told him to process documents to ship 1000 TOWs with MOIC, NSN 1512. Item Manager drafted DRSMI-S Form 496, Request for Supply Action, telling Anniston Army Depot (ANAD) to ship these missiles to Redstone Arsenal (RSA). (EXHIBIT P-5) Price of $8435 on form obtained from AMDF. (Mr. John Coward sworn testimony, 29 Dec 86) (EXHIBIT B-21)
28 JAN 86	(U)	DRSMI-S Form 496 approved by Mr. Finafrock and materiel release order (MRO) called to ANAD (Ms Griffis) by Mr. Coward. (Mr. John Coward sworn testimony, 29 Dec 86, and ANAD A5A card, dated 5 p.m. 1/28) (EXHIBITS B-21 and P-6)
29 JAN 86	(U)	

1000 basic TOWs with MOIC, model BGM 71A2, NSN 1410-01-139-1512, are shipped to RSA from ANAD on seven ANAD trucks and signed for by Mr. Leachman. (DD Forms 1348-1A, DOD Single Line Item Release/Receipt Document, dated 29 Jan 86, and SDSAN Form 320, Ammunition Work Project) (EXHIBIT P-7 and P-8)

30 JAN 86	(U)	DALO-ZB message, dtg 301521ZJAN86 certified $16,000 for Snowball. (EXHIBIT P-9)
30 JAN 86	(U)	PM TOW (Mr. Alkenberg) directs ANAD to begin preparations to remove warheads from 1000 I TOWs and replace them with basic TOW warheads. When asked, he stated that condition code of missiles could be either A or N. Quantity was later increased to 2500. (Mr. Charles Towne and Mr. Billy Price, ANAD, unsworn testimonies, 11 Dec 86) (EXHIBIT O)
30 JAN 86	(U)	AMCPM-TO message, dtg 301555ZJAN 86 directs TOW work to begin 3 Feb 86, working two 12-hour shifts until the work is done. (EXHIBIT P-10)
30 JAN 86	(U)	AMCPM-TO-M letter to ANAD directs warhead replacement be charged to MOIC program funds. (EXHIBIT P-11)
30 JAN 86	(S)	MAJ Simpson advised [redacted] that some depot work was required and if I TOW or TOW 2 would be acceptable. [redacted] replied that the requirement for basic TOWs was firm. (DALO-SMS-LA MFR (S), subject: Project SNOWBALL: Chronology of Events, 9 Dec 86) (EXHIBIT P-2)
31 JAN 86	(U)	ANAD wrote SOP to change 1020 warheads. (SDSAN Form 320-1, Ammunition Work Project, Conversion of TOW Missile, 31 Jan 86) (EXHIBIT P-12)
31 JAN- 12 FEB 86	(S)	CIA continued to delay departure of missiles from RSA on a day-by-day basis. (DALO-SMS-LA

		MFR (S), subject: Project SNOWBALL: Chronology of Events, 9 Dec 86) (EXHIBIT P-2)
3 FEB 86	(U)	Personnel from PM TOW and Hughes Aircraft (HAC) visit ANAD to review procedures for warhead exchange. Warhead exchange began. (Mr. Charles Towne and Mr. Billy Price, ANAD, unsworn testimonies, 11 Dec 86) (EXHIBIT O)
3 FEB 86	(S)	MAJ Simpson and [redacted] CIA, visit RSA. (Multiple sources)
11 FEB 86 1730 hrs	(S)	CIA asked DALO-SMS-LA to be prepared to execute Phase I (shipment of 1000 rounds) at 1200 hrs, 13 Feb 86, by air. (DALO-SMS-LA MFR (S), subject: Project SNOWBALL: Chronology of Events, 9 Dec 86) (EXHIBIT P-2)
12 FEB 86 1500 hrs	(S)	CIA informed DALO-SMS-LA that MAC airlift not available on 13-14 Feb as requested. CIA made decision to ship by surface to [redacted] [redacted] (DALO-SMS-LA MFR (S), subject: Project SNOWBALL: Chronology of Events, 9 Dec 86) (EXHIBIT P-2)
13 FEB 86	(S)	CIA letter (S) to DCSLOG certified availability of $3.515 million for initial phase of Snowball. (EXHIBIT P-13)
13 FEB 86	(U)	Ms. Crawford, SAGC, memo for SecArmy, subject: Support to Intelligence Operations, informed SecArmy that Intelligence Authorization Act of FY 86 required reporting to Congressional Intelligence Oversight Committees of the transfer of defense articles or services exceeding one million dollars. Ms. Crawford stated verbally to MG Russo that when Army supports another agency, they, not Army, must advise Congress as required by law. (MG Russo note on Crawford memo) (EXHIBIT Y)
13 FEB 86	(S)	

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1000 TOW missiles, BGM 71A2, NSN 1410-01-139-1512, signed for by MAJ Simpson, ODCSLOG,DA, and then by [redacted] CIA. Document reflects unit pric 9. (DD Form 1348-1A, document number W74PVB 6044 C001 (S)) (EXHIBIT N)

13 FEB 86 (S) Phase I (1000 basic TOW missiles) shipped from Redstone Arsenal to [redacted] (DALO-SMS-LA MFR (S), subject: Project SNOWBALL: Chronology of Events, 9 Dec 86) (EXHIBIT P-2)

13 FEB 86 (U) DALO-SMS-LA msg to MICOM revised 30 Jan msg. Funds available now to MICOM equals $424K for ancillary support. (DALO-SMS-LA MFR (S), subject: Project SNOWBALL: Chronology of Events, 9 Dec 86) (EXHIBIT P-2)

24 FEB 86 (S) Ms Crawford, MG Russo, MG Suter, BG Cavezza, and COL McDonald met with the Secretary of the Army. MG Russo related the Army's actions to date to the Secretary. Ms Crawford expressed concern that there was an offline request with no documentation for Army equipment and that the Army did not know where the equipment was destined. Additionally, the responsibility for Congressional notification was addressed and the General Counsel stated that the receiving agency had the requirement to notify Congress. The Secretary suggested that MG Russo prepare a memorandum recording the actions taken to date and that the Office of the Secretary of Defense should be notified of the Secretary's concern about Congressional notification. (DALO-SMS-LA MFR (S), subject: Project SNOWBALL: Chronology of Events, 9 Dec 86) (EXHIBIT P-2)

25 FEB 86 (S) ADCSLOG prepared MFR on Support for Intelligence Activities. (DALO-ZB MFR, subject: Support for Intelligence Activities) (EXHIBIT Z)

5 MAR 86 (S)

		ADCSLOG discussed action and General Counsel legal opinion about Congressional notification with MG Powell (OSD). MG Powell passed memo from Army about Congressional notification to VADM Poindexter, NSC. He "knew at that time that proper, legal...authorities had advised NSC staff and they advised us that the issue of the notification was being taken care of in a way that was proper and legal." MG Powell asked MG Russo to assure the SecArmy that the receiving agency was fully aware of its reporting requirement. (LTG Powell sworn testimony, 22 Dec 86, and DALO-SMS-LA MFR (S), subject: Project SNOWBALL: Chronology of Events, 9 Dec 86) (EXHIBIT B-1 and P-2)
5 MAR 86	(U)	ANAD informed PM TOW that total cost for replacement of TOW warheads was $377,433. (ANAD msg dtg 051535ZMAR86, subject Operation Snowball) (EXHIBIT P-14)
29 APR 86	(U)	MICOM msg 291600ZAPR86 stated cost incurred by MICOM for Snowball was $3,469,000 for 1000 missiles and $393,411 for other associated costs. (EXHIBIT P-15)
16 MAY 86	(S)	DALO-SMS-LA alerted PM TOW to prepare for shipment of additional 508 missiles. (DALO-SMS-LA MFR (S), subject: Project SNOWBALL: Chronology of Events, 9 Dec 86) (EXHIBIT P-2)
16 MAY 86	(S)	CIA certified availability of $1,762,252 for 508 missiles and $248,152 for ancillary costs. (CIA letter (S), 601088, subject: Transfer of Funds (Project Snowball) (U), dated 16 May 86) (EXHIBIT P-16)
16 MAY 86	(U)	MRO called from MICOM to ANAD to ship 508 CC N TOWs, NSN 1410-01-139-1512, from ANAD to RSA. (DRSMI-S Form 496) (EXHIBIT P-17)
19 MAY 86	(U)	508 TOW missiles, model 71A2, NSN 1410-01-139-1512, were shipped from ANAD to RSA and

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		signed for by Mr. George Collier, PM TOW. The missiles were then signed for by LTC Larry Armbright, DALO-SMS-LA. (DD 1348-1A, 19 Apr 86) (EXHIBIT P-18 and N)
19 MAY 86	(S)	508 TOW missiles were shipped from Redstone Arsenal [redacted] (DALO-SMS-LA MFR (S), subject: Project SNOWBALL: Chronology of Events, 9 Dec 86) (EXHIBIT P-2)
21 MAY 86	(S)	LTC Armbright transferred formal accountability for 508 missiles to [redacted] (CIA) at Langley, VA. (DD 1348-1A, document number W74PVB 6139 C002 (S), reflected date of 19 May) (DALO-SMS-LA MFR (S), subject: Project SNOWBALL: Chronology of Events, 9 Dec 86) (EXHIBITS N and P-2)
MAY 86	(S)	508 TOW missiles shipped to Israel by CIA. [redacted] CIA, sworn testimony, 7 Jan 87) (EXHIBIT B-22)
AUG 86	(S)	CIA action officer [redacted] requested information on lot numbers and quantities of rounds modified. PM TOW contacted. (DALO-SMS-LA MFR (S), SUBJECT: PROJECT SNOWBALL: CHRONOLOGY OF EVENTS, 9 DEC 86) (EXHIBIT P-2)
28 AUG 86	(S)	Price of 500 Missiles provided to [redacted] (DALO-SMS-LA MFR (S), SUBJECT: PROJECT SNOWBALL: CHRONOLOGY OF EVENTS, 9 DEC 86) (EXHIBIT P-2)
AUG 86	(S)	Info on lot numbers provided to [redacted] (DALO-SMS-LA MFR (S), SUBJECT: PROJECT SNOWBALL: CHRONOLOGY OF EVENTS, 9 DEC 86) (EXHIBIT P-2)
SEP 86	(S)	CIA alerted DALO-SMS-LA of pending request for release of 500 missiles. (DALO-SMS-LA MFR (S), SUBJECT: PROJECT SNOWBALL: CHRONOLOGY OF EVENTS, 9 DEC 86) (EXHIBIT P-2)

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SEP-OCT 86	(S)	Series of "heads-up" from [redacted] that shipment decision was pending. (DALO-SMS-LA MFR (S), SUBJECT: PROJECT SNOWBALL: CHRONOLOGY OF EVENTS, 9 DEC 86) (EXHIBIT P-2)
OCT 86	(S)	Israel ships 500 missiles to Iran to help the release of an American held hostage. [redacted] [redacted] CIA, sworn testimony, 7 Jan 87) (EXHIBIT B-22)
20 OCT 86	(S)	CIA notified DALO-SMS-LA that decision to receive 500 missiles had been made. Money would be forthcoming: they want newest missiles (last two lot numbers). (DALO-SMS-LA MFR (S), SUBJECT: PROJECT SNOWBALL: CHRONOLOGY OF EVENTS, 9 DEC 86) (EXHIBIT P-2)
21 OCT 86	(S)	CIA requested that a representative from DALO-SMS-LA be present to inspect and sign for missiles at Redstone. (DALO-SMS-LA MFR (S), SUBJECT: PROJECT SNOWBALL: CHRONOLOGY OF EVENTS, 9 DEC 86) (EXHIBIT P-2)
24 OCT 86	(S)	LTC Armbright met with LTG Russo to discuss SNOWBALL; met with BG Cavezza (OSA) and provided him copies of Ms Crawford's 13 Feb memo and LTG Russo's 25 MFR. (DALO-SMS-LA MFR (S), SUBJECT: PROJECT SNOWBALL: CHRONOLOGY OF EVENTS, 9 DEC 86) (EXHIBIT P-2)
28 OCT 86	(S)	[redacted] advised DALO-SMS-LA that shipment date for Phase III was being determined. He will check on transportation. COL Lincoln (TOW PM) alerted. (DALO-SMS-LA MFR (S), SUBJECT: PROJECT SNOWBALL: CHRONOLOGY OF EVENTS, 9 DEC 86) (EXHIBIT P-2)
29-30 OCT 86	(U)	Discussed funding actions (reference O&MA funds for procurement) with Mr Bagby (COA) and Mr Greenblat (USAF&C). Proper wording

		provided; they will support in the event of problems. (DALO-SMS-LA MFR (S), SUBJECT: PROJECT SNOWBALL: CHRONOLOGY OF EVENTS, 9 DEC 86) (EXHIBIT P-2)
29 OCT 86	(S)	[redacted] called that shipment date will be 3 Nov. PM alerted. (DALO-SMS-LA MFR (S), SUBJECT: PROJECT SNOWBALL: CHRONOLOGY OF EVENTS, 9 DEC 86) (EXHIBIT P-2)
30 OCT 86	(S)	Delivery date changed to morning of 4 Nov, then to afternoon of 3 Nov by [redacted] PM notified; can support. (DALO-SMS-LA MFR (S), SUBJECT: PROJECT SNOWBALL: CHRONOLOGY OF EVENTS, 9 DEC 86) (EXHIBIT P-2)
30 OCT 86	(S)	CIA letter certifying $1,734,500. for missiles and $8,100. for ancillary cost provided to DALO-SMS-LA. (EXHIBIT P-19)
30 OCT 86	(U)	PM TOW directed ANAD through the MICOM TOW Item Manager to ship 500 TOWs to Redstone Arsenal, to arrive NLT 1400 hours 3 Nov 86. (Mr. John Coward, TOW Item Manager, MICOM, sworn testimony, 29 Dec 86, and DRSMI-S Form 496, 3 Nov 86) (EXHIBIT B-21 and P-20)
31 OCT 86	(C)	DALO-SMS-LA msg to MICOM directed PM TOW to ship 500 missiles on 3 Nov and certified availability of funds for that purpose. (EXHIBIT P-21)
3 NOV 86	(U)	500 TOW missiles, model BGM 71A1, NSN 1410-01-007-2507, shipped from ANAD to Redstone Arsenal on document number W31GE 6303 D001. (EXHIBIT P-22)
3 NOV 86	(S)	500 TOW missiles, model BGM 71A1, NSN 1410-01-007-2507, accepted by DCSLOG, DA, LTC Armbright, and by the CIA [redacted] (DD 1348-1A, document number W74PVB 6307 C003) (EXHIBIT N)
3 NOV 86	(S)	

J 9221

Phase III (500 missiles) shipped from Redstone Arsenal to CSSA. LTC Armbright met and discussed financial procedures with COL Lincoln (PM, TOW), Mr Leachman (DPM, TOW), and Mr Bill Bentley (Ch, Program Mgmt Office). (DALO-SMS-LA MFR (S), SUBJECT: PROJECT SNOWBALL: CHRONOLOGY OF EVENTS, 9 DEC 86) (EXHIBIT P-2)

NOV 86 (S) 500 TOW missiles shipped by CIA to Israel to replace 500 missiles shipped by Israel to Iran in October 86. [redacted] CIA, sworn testimony, 7 Jan 87) (EXHIBIT B-22)

Exhibit CWW-56

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THE SECRETARY OF DEFENSE
WASHINGTON THE DISTRICT OF COLUMBIA

16 SEP 1983

N 22988

Judge William P. Clark, Jr.
Assistant to the President
for National Security Affairs
Ground Floor
White House

Dear Bill:

During my recently completed trip to Central America one of your staff members, Major Ollie North, accompanied me. You are fortunate to have a man of Ollie's caliber. I found him informed, insightful, and decisive on the issues and well respected in the region by U.S. and Central American officials.

This note is by way of expressing to you my appreciation for Ollie's contribution to a most successful visit.

Sincerely,

Cap

Declassified/Released on 30 July 1987
under provisions of E.O. 12356
By B. Reger, National Security Council

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EXHIBIT
CWW-56

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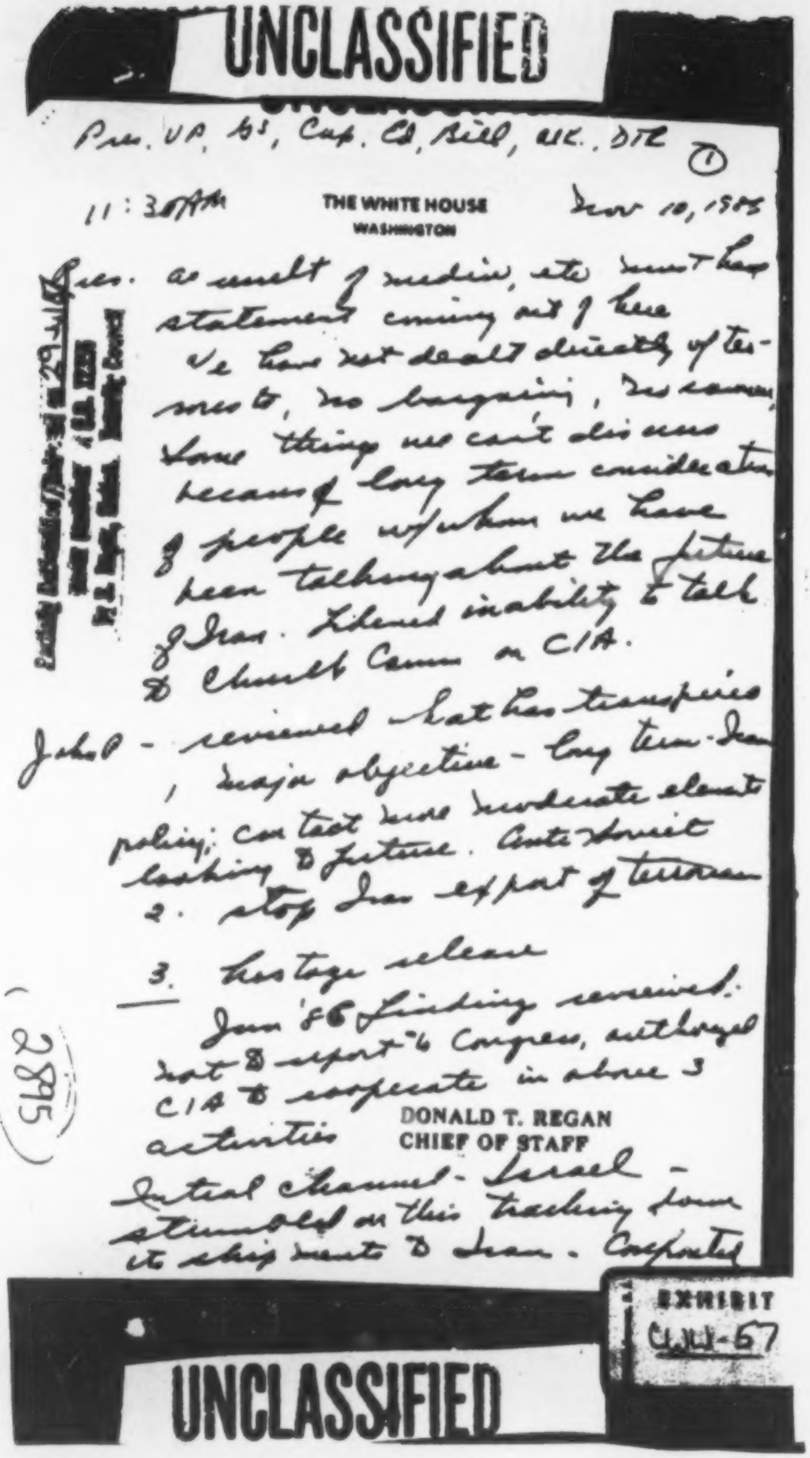
EXHIBIT CWW-57



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Pres. VP, GS, Cap, CW, Bill, AK, DTR ①

11:30 AM

THE WHITE HOUSE
WASHINGTON

Nov 10, 1986

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Pres. as result of media, etc must have
statement coming out of here
We have not dealt directly w/ ter-
rorists, no bargaining, no ransom,
Some things we can't discuss
because of long term considerations
of people w/whom we have
been talking about the future
of Iran. Liberal inability to talk
to Church Comm on CIA.

John P - reviewed what has transpired
1, major objective - long term - Iran
policy; contact more moderate elements
looking to future. Anti Soviet
2. stop Iran export of terrorism

3. hostage release

Jan '86 finding reviewed:
not to report to Congress, authorized
CIA to cooperate in above 3
activities

DONALD T. REGAN
CHIEF OF STAFF

Initial channel - Israel -
stumbled on this tracking some
its shipments to Iran. Cooperated

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EXHIBIT
CWW-57

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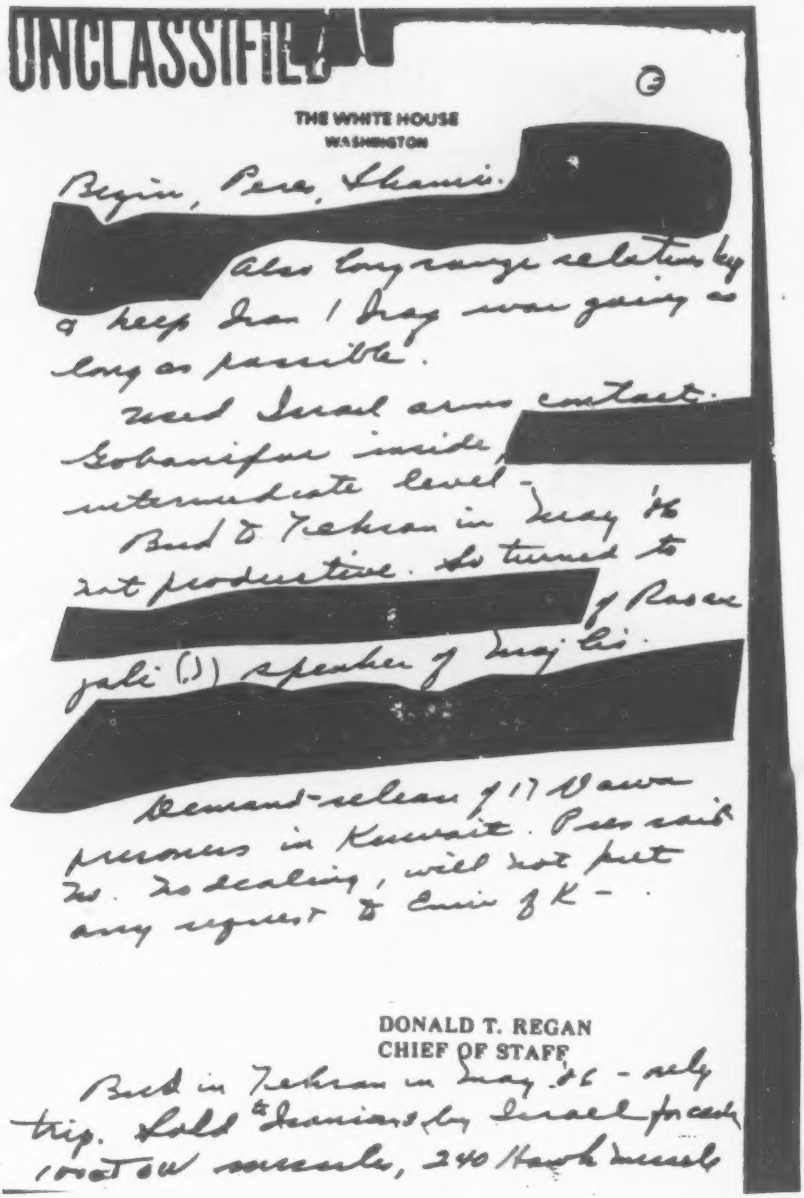

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③

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Begin, Peres, Shamir. [redacted] Also long range relations by a keep Iran / Iraq war going as long as possible.

Used Israel arms contact. Gobanifar inside, [redacted] intermediate level –

Bud to Tehran in May '86 not productive. So turned to [redacted] of Rasanjali (?) speaker of Majlis. [redacted]

Demand – release of 17 Dawa prisoners in Kuwait. Pres said no. No dealing, will not put any request to Emir of K – .

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Bud in Tehran in May '86 – only trip. Sold to Iranians by Israel for cash 1000 TOW missiles, 240 Hawk missiles

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battery spare parts (small ship-
ment)

1st 500 TOW shipped by Israelis to Iran. We told after the fact Pres did agree to replenish those for Israel. We were paid by Israelis who we

Battery parts shipped to Israel then to Iran. Iran pd Is. who paid us

500 more TOWs sent last week from Israel; we OKd in advance — will replenish

all are defensive weapons, are minimal amts. Good faith shown by us

one meeting in U.S. by Rafsanjani [redacted] to show legitimacy of operation

Results:

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Buckley, Weir, Anderson, Sutherland, Jacobsen, & Jenko.

after these 6, two more hostages for a [illegible] at six main times,

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(4)

solid contact with Rafs —
make case on Soviet threat to Iran,
make case Soviets will not
permit Iran to win over Iraq
Made point hostages must be
returned. In fact 3 have been
Weir, Jenko, and Jacobsen.

In Tehran. There are factions
Hard to sort out. Three groups
today.

1. Conservative group –
2. middle – Rafsanjani leader
(He a survivor, & politician)
interested in some relationship with U.S.

[redacted]

keeping unrest down
3. Radicals. supporting war,
terrorism, internal strife

[redacted]

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contact w/ Libya.
and faction that took last 3
hostages. Reed, Cicippio, &)

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The Radical group leaked info
of Bud's visit in a pamphlet
in Beirut.

Rafsanjani made speech -
factually incorrect, as a signal
we think, he wishes to keep contact,
said Bud was prisoner. etc.
over weekend Ollie North met
with Raf's [redacted] in Geneva.
May get more hostages. Indicated
Iranians happy with our no
comment. Raf will have to
speak out due to world press comments

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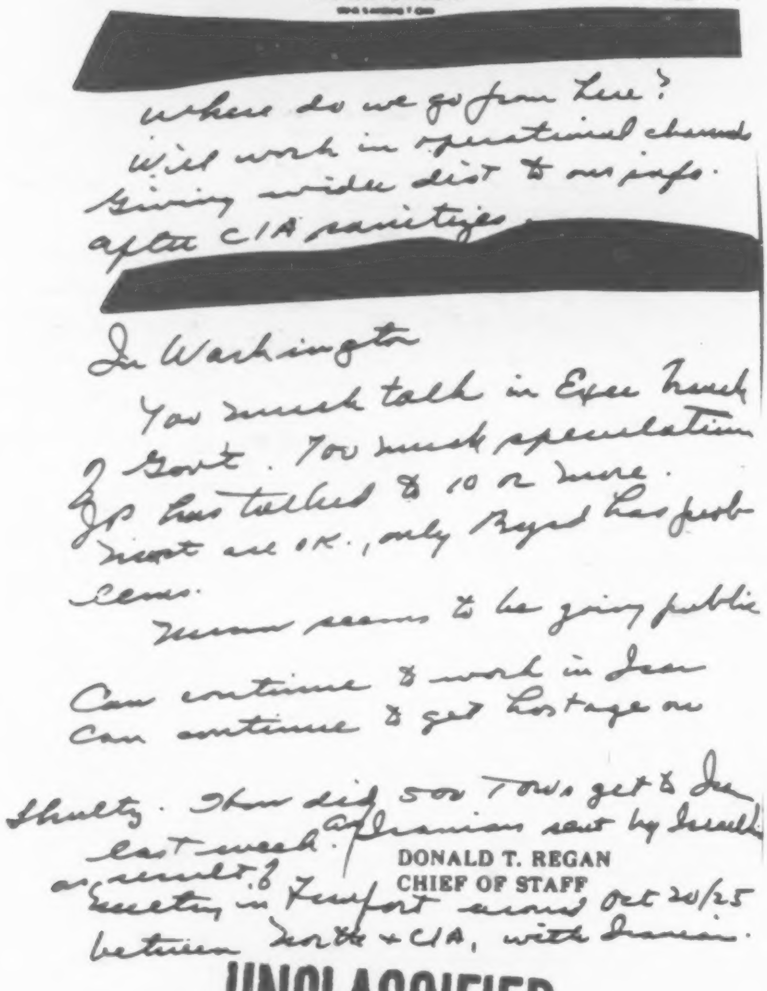

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WASHINGTON

[redacted]

where do we go from here?
Will work in operational channel
Giving wider dist to our info.
after CIA sanitizes.

[redacted]

In Washington
Too much talk in Exec Branch
Too much speculation of Govt. Too much speculation
JP has talked to 10 or more.
Most all OK., only Byrd has problems.

Iran seems to be going public

Can continue to work in Iran
Can continue to get hostages out

Shultz. How did 500 TOWs get to Iran last week.
@ Iranian sent by Israelis
as result of meeting in Frankfort around Oct 20/25 between North + CIA, with Iranian.

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Tried this one more time even tho we said no more because of hostage release imminent.

Various questions about hostages, who holds, where, etc. Cap, Ed, George, John answering. Bill occasionally.

Iranians are not holding hostages, can influence those holding at times, and not quickly.

Shultz - be careful of linkage between hostages and defense equipment.

Meese - we have not dealt directly with terrorists

Pres - Terrorists have not profited. We let Iranians buy supplies & they influenced. No benefits to terrorists. We working with moderates hoping in future to be able to influence Iran after Khomeini dies.

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Shultz. It is [illegible]. But we
have made more good contacts in
Iran than he was aware of.
Should pursue. But must not
gild lily. Some undesirable
effects of these actions. We are
paying a high price.

Afraid of technically correct
statements that are not fully
descriptive - could get us into
trouble.

__CAP__ - Q. on reliability of Rafsanjani
His statement blew us out of
water in one way.

__Ans__ we are not relying on
him as being "our man". But
our CIA experts have been par-
ticipating [redacted]

It is clear they are
trying to find a way out.

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__Bill__ all of people are convinced these
are best to work with. - but don't

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(5)

go all out to rely on Raf — We
are feeling him out.

Bill - we have a good public
position if we put it out
in a simple way.

He read a prepared statement
putting emphasis on long
range relationships with
Iran as reason for contacts.
deemphasize hostage. deny
arms sales that tip balance
between Iran/Iraq.

Pres We should put out statement
show we do want to get hostages
back, but Iranian contacts were
for long range, won't deal with
terrorists, nor same —

But cannot get into Q & A
re hostages so as not to endanger
them.

Shultz - Agree our responsibility to look
after citizens
Won't deal with hostage so as
not to expose others to kidnapping

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⑩

juxtaposition of hostages and arms shipments must not be shown. Don't know exact linkage.

Caution on over assertion that arms shipments were small and inconsequential. Can't keep others in line if we OK. sale. Thinks Israeli suckered us into this ~~act~~ so we can't complain of their sale.

Thinks statement should be issued, & is a good one.

Use Daniloff as an example of non linkage.

Meese - each of these is a set of complex incidents, not related to ransom. Sees money to Hizballah trying to help moderates in Iran who also tried to help us.

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Pres We must say something but not much

John If we go with this we ~~[illegible]~~ [illegible]

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(11)

Iranian contacts

DTR Must get a statement out now, we are being attacked, and we are being hurt. Losing credibility.

JP – No statement needed. News has peaked, no hearing until Jan, so should not say anything

Pres. – Must say something because I'm being held out to dry. Have not dealt with terrorists, don't know who they are. This is long range Iranian policy.

No further speculation or answers so as not to endanger hostages. We won't pay any money, or give anything to terrorists

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JP Say less about what we are doing, more about what we are not doing

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(12)

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Cap · Be careful of Raf. & Israel & blackmail.
What we say will be repudiated.

Ed - We are saying only what we did and know has happened.
No violation of laws & policy

VP - In any case a private or public endeavor to sell arms to Iran.

ans probably private with gov't knowledge.

VP Israel may try to squeeze us.

Shultz - Finding was not known to me from Jan to Nov - amazing

JP. Came as result of meeting in Quarters in Jan. Everyone gave his opinion. Drawn up by NSC, CIA, DOJ thru John, Bill, & Ed & their lawyers.
Sent to Pres & signed in Jan.
(DTR Found out ~~to~~ last week in conv. w/ JP

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Geo - asked question about what if they ask for more than what they have received.

JP - Cannot tie hands that way.

WJC - Should answer Geo's question later in week.

Geo - no debriefing - what to say.

Pres Support Pres' policy but say nothing else due to danger to hostage

Geo Support Iran long range policy of contact

Know support for weapons for hostages

Pres Side with mil superiority

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will win. We want to have things even. This helps Iran which was weaker.

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(14)

Geo Keep things in these channels that are more or less official & keep secret.

DTR Lets face it - we kept secret. Iranians released info.

All Try & get statement to face as many facts as possible.

adjourned 1:05 P.M.

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Late in afternoon

John, & Ed went over Bill's paper. A lot of info cut out by Ollie & others at NSC due to their conversations w/ Iranians in Geneva over weekend (possible release of 2, maybe all 5; we arguing Cong inquiries demand a speedup, & we have to withdraw)

John got signoffs Cap, Ed, Bill & Pres.; unable to contact Geo enroute to S.A.

Told John he should proceed for evening news release —

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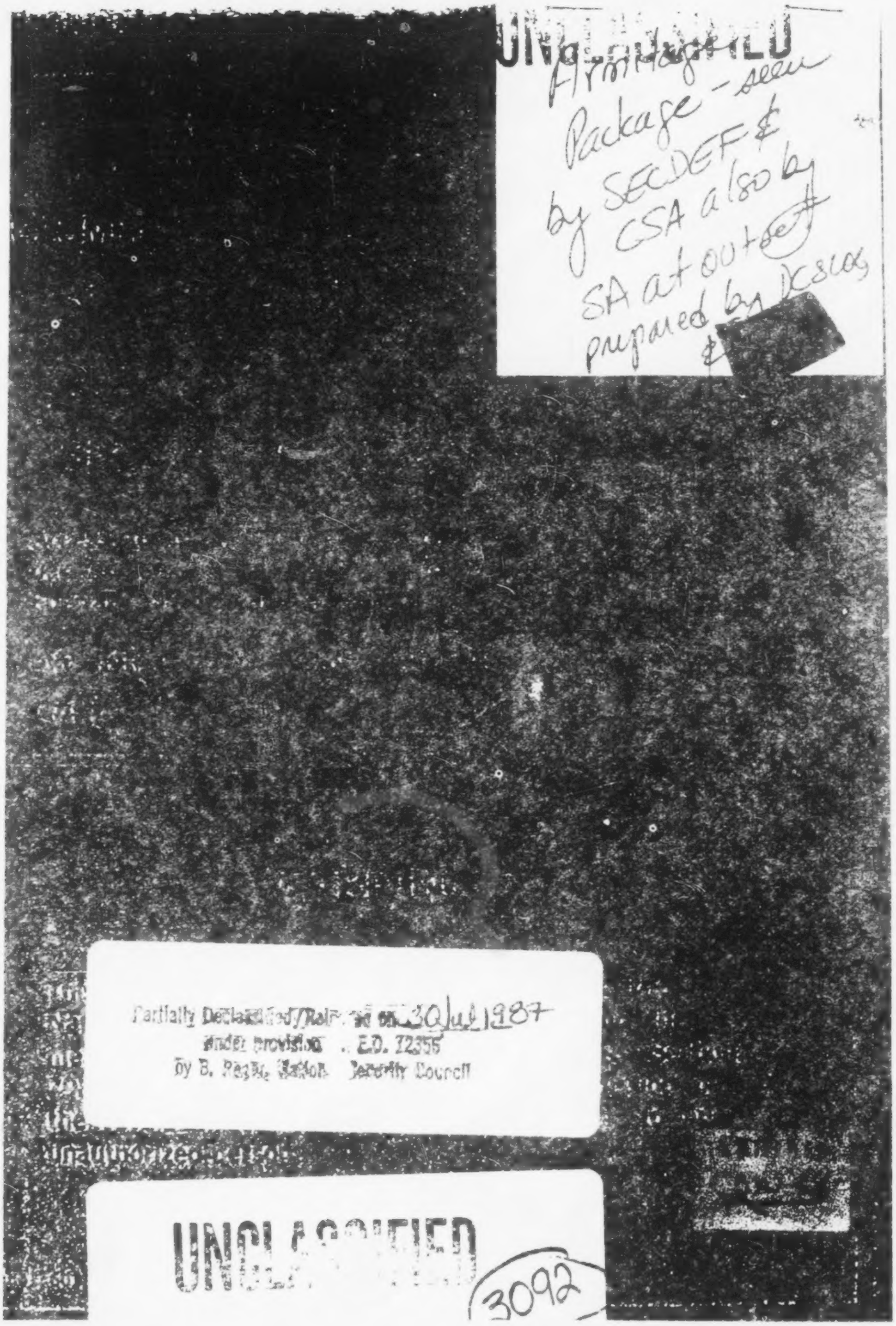
EXHIBIT CWW-58



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Armitage Package - seen by SECDEF & by CSA also by SA at outset # prepared by DCSLOG & [redacted]

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21 Nov 86

Gen Wickham (W)

Sir: Attached are copies of papers provided to Mr Armitage for use during his hearings on the Hill today. SECDEF has also seen.

Initial feedback from the Hill ⇒ Army did not take any hits.

Col Howard

21/11

DEPARTMENT OF THE ARMY
OFFICE CHIEF OF STAFF
WASHINGTON

Sir - Recommend you scan these and then Col Howard can give you a "detailed" review (for refresher summary) if desired.

I can supplement activities this past week... briefs SASC, Armitage, SA, etc. Bianci

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The following are provided in response to the questions provided.

1. Q: WHAT TYPE WEAPONS WERE TRANSFERRED?

   A: The DOD transferred the following items:

   Basic TOW Missiles.

   Repair parts for the Hawk surface-to-air missile system.

2. Q: NUMBERS OF WEAPONS TRANSFERRED?

   A: 4509 TOW missiles were requested - 2008 have been transferred, the remainder are on hold at an Army facility.

   218 lines of Hawk system repair parts.

3. Q: WHERE DID THESE WEAPONS COME FROM?

   A: Army Materiel Command, Defense Logistic Agency, and Tinker AFB.

4. Q: WHEN WERE TRANSFERS MADE?

   A: The materiel was transferred on the following dates:

   13 Feb 86 - TOW missiles (1000 each)
   16-23 May 86 - Hawk system repair parts
   19 May 86 - TOW missiles (508 each)
   3 Nov 86 - TOW missiles (500 each)

5. Q: HOW WERE THEY PAID FOR?

   A: DOD was provided separate letters certifing the availability of funds for each action. Funds were provided to cover the cost of the materiel, PC&H (packing, crating & handling), CONUS transportation, plus any other administrative costs incurred in support of the request. The supplier is reimbursed by DOD and DOD in turn is reimbursed with US Treasury checks. To date, only the first two TOW shipments have completed this financial cycle.

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19 NOV 1986
1800 HRS

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OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON D C 20301

LEGISLATIVE AFFAIRS

SEC DEF
HAS SEEN
NOV 24 1986

18 November 1986

(D)

MEMORANDUM FOR THE ASSISTANT SECRETARY OF DEFENSE (LA)

SUBJECT: Transfer of Weapons to Iran; Request by House Permanent Select Committee on Intelligence (HPSCI) for Information

On 18 November 1986 I met with Tom Latimer and Duane Andrews, Staff Director and PSM of the HPSCI respectively, concerning their Committee's inquiry into the U.S. Government transfer of weapons to Iran. Mr. Armitage, ASD(ISA), is currently scheduled to appear before the Committee on 21 November to brief the members on DoD involvement with the weapons transfer.

Mr. Andrews requested that those staff personnel within DoD who have detailed knowledge of the transfer meet with him on the morning of 19 November to provide advance answers to the following questions.

1. What type weapons were transferred?
2. Numbers of weapons transferred?
3. Where did these weapons come from?
4. When were transfers made?
5. How were they paid for?
6. What records reflect this payment?
7. How were transfers accomplished?
8. Were DoD assets used to transport the weapons?
9. Was [redacted] System used to arrange transfer?
10. Any other related questions designed to determine the extent of DoD involvement.

(3092c)

The answers to these questions are to be incorporated into a staff paper which will be provided to the Committee members before Mr. Armitage appears before the HPSCI.

John Bengiat
John Bangiet

COPY 1C OF 1 COPIES

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by [illegible]

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. Q: WHAT RECORDS REFLECT THESE PAYMENTS?

A: The standard billing document reflects the costs involved, and copies of the U.S. Treasury checks show that payment has been completed. A listing of funds obligate , funds disbursed, and transmittal letters on billings/reimbursements for transactions processed are maintained.

7. Q: HOW WERE TRANSFERS ACCOMPLISHED?

A: After receiving direction to provide the requested materiel and receipt of the fund certification letter, the source of supply was directed by electronic message to ship the materiel to a designated CONUS location.

The TOWs were shipped from Anniston Army Depot to Redstone Arsenal, AL by U.S. Army vehicles. The items were then shipped to [redacted] San Antonio TX, by commercial carrier, [redacted] using a Government Bill of Lading.

The Hawk system repair parts were transferred to Kelly AFB, TX by various modes of transportation, including overnight express mail and commercial surface carriers using Government Bills of Lading. From Kelly the materiel was picked up by representatives from [redacted]

8. Q: WERE DOD ASSETS USED TO TRANSPORT THE WEAPONS?

A: Yes. From Anniston to Redstone.

9. Q: WAS [redacted] SYSTEM USED TO ARRANGE TRANSFER?

A: In reference to the actual transfer of the items in question, Army [redacted] procedures were not followed, however the [redacted] System was used.

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19 NOV 1986
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CONTENTS

TAB A -- Equipment Quantities and Costs and Status of Shipments (Parts List Attached)

TAB B -- Certification of Reimbursement Funds

TAB C -- Transfer Receipts

TAB D -- Readiness Impact Statement

TAB E -- Equipment Weight and Volume

3092 d

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by B. Reger, National Security Council

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20 NOV 86

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ITEMS APPROVED FOR SHIPMENT

DATE	ITEM	QTY
Jan 86	TOW missile	4509
9 Apr 86	Repair parts for Hawk missile system	234 line items

ITEMS SHIPPED

			COSTS (1)		
DATE	ITEM	QTY	Hardware	ANCILLARY COST	Total
13 Feb 86	TOW missile	1000	$3,469,000.00	$46,000.00	$3,515,000.00
19 May 86	TOW missile	508	$1,762,252.00	$248,152.00*	$2,010,404.00
3 Nov 86	TOW missile	500	$1,734,500.00	$8,100.00	$1,742,600.00
6-23 May 86	Repair parts for Hawk missile system	218 Line Items(2)	$4,182,923.42	$154,502.82	$4,337,426.24

ITEMS ON HOLD

ITEM	QTY	REMARKS	DOLLAR VALUE		
TOW missiles	2501	*Missile modification(3) billed w/19 May invoice. Hardware related costs	$ 8,675,969.00	$303,658.91	$ 8,979,627.91
AN/MPQ46 Radars	4	Operational check and test (Work already completed)		$ 24,000.00	$ 24,000.00(4)
		Hardware related costs	$12,777,600.00	$458,940.00	$13,236,540.00

NOTE: (1) Transportation costs to CONUS depot, a standard 3 1/2 % for PC&H, plus guards and TDY costs.
(2) Difference due to non-availability of certain line items.
(3) A Missile Ordnance Inhibit Circuit, a safety modification was added for total approved quantity of 4509.
(4) Funds certified available.

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20 NOV

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Reger, National Security

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NOMENCLATURE	NSN	QTY
CIRC BOARD WAVE	1430009257366	[redacted]
CONTROL BRIDGE HOSE	1430011153327	[redacted]
CIRCUIT CARD ASSY	1430004916945	[redacted]
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ELECTRONIC COMPONENT	1430008750740	[redacted]
CONTROL POWER SUPPLY	1430004804461	[redacted]
CIRCUIT CARD ASSY	1430014082496	[redacted]
AMP, ELEC, TRIPPLE	1430004916943	[redacted]
SPRING, SPIRAL	5360009373080	[redacted]
RESISTOR, FIXED	1430009174610	[redacted]
AMP, MODULATOR	1430011678000	[redacted]
ELECTRON TUBE	5960011670763	[redacted]
SIMULATOR, CONTROL	1430001558288	[redacted]
AMP, INTERMEDIATE	1430008750838	[redacted]
CIRCUIT CARD ASSY	1430004848562	[redacted]
CIRCUIT CARD ASSY	1430004805642	[redacted]
FAN CENTRIFUGAL	4140008759846	[redacted]
FAN, CIRCULATING	4140004634276	[redacted]
TRANSFORMER ASSY	6120004812766	[redacted]
DUMMY LOAD, ELEC	1430009270651	[redacted]
COOLER UNIT, LIQUID	1430008887169	[redacted]
TANK SECTION, FLUID	1430002287848	[redacted]
HOSE ASSY, NONMETAL	4720000832753	[redacted]
HOSE ASSY, NONMETAL	4720000832752	[redacted]
FILTER, FLUID	1430000205562	[redacted]
SWITCH, DELAY LINE	1430009206734	[redacted]

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under provisions of E.O. 12356
by S. Reger, National Security Council

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CONTROL FRQE	1430009334162	[redacted]
AMPLIFIER DOPPLER	1430010367228	[redacted]
SIMULATOR, STATION	1430004848559	[redacted]
ELEC COMPONENT ASSY	1430002385627	[redacted]
DRIVE & SYCHRO ASSY	1430009408603	[redacted]
MOTOR TACHO	1430009677029	[redacted]
CABLE ASSY, POWER	1430000192970	[redacted]
CABLE CONNECT BOX	1430008287136	[redacted]
HOSE ASSY, NONMETAL	4720000118511	[redacted]
DETECTOR FLOW RATE	1430009567140	[redacted]
POWER SUPPLY	1430010789648	[redacted]
TRACKER SPEEDGATE	1430010741615	[redacted]
CIRCUIT CARD ASSY	1430004916951	[redacted]
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CIRCUIT CARD ASSY	1430004082496	[redacted]
CIRCUIT CARD ASSY	1430004916950	[redacted]
FILTER BANDPASS	5915004913475	[redacted]
WASHER KIT	6720010182144	[redacted]
ELECTRONIC COMPONENT	1430007345346	[redacted]
TRANSMISSION CONTROL	1430001356650	[redacted]
CIRCUIT CARD ASSY	1430004511092	[redacted]
CONTROL, RANGE, ANT	1430009798827	[redacted]
ELECTRONIC COMPONENT	1430004308964	[redacted]
AMP, ELECTRONIC	1430009116625	[redacted]
CIRCUIT CARD ASSY	1430004916886	[redacted]
POWER SUPPLY	1430002909100	[redacted]
CIRCUIT CARD ASSY	1430004916889	[redacted]

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CIRCUIT CARD ASSY	1430002303654	[redacted]
CIRCUIT CARD ASSY	1430002303653	[redacted]
CIRCUIT CARD ASSY	1430002303652	[redacted]
INDICATOR ASSY	1430009747846	[redacted]
AMP I.F.	1430005031852	[redacted]
DELAY LINE	5840006793939	[redacted]
ELECTRONIC COMPONENT	1430010212423	[redacted]
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AMP ELECTRO CONTROL	1430007881198	[redacted]
CAVITY TUNE	1430007882949	[redacted]
DRIVE ASSY	1430005606963	[redacted]
CONTROL OSC	1430007890834	[redacted]
PARTS KIT	1430010679012	[redacted]
SEAL WAVE GUIDE	5985010255013	[redacted]
PUMP	1430009101565	[redacted]
MOTOR AMP PUMP	1430000564746	[redacted]
MOUDLATOR SUB ASSY	1430010709935	[redacted]
POWER SUPPLY	1430001962725	[redacted]
COOLER LIQUID, ELEC	1430010872449	[redacted]
BLOWER	1430000564747	[redacted]
CONTROL POWER SUPPLY	1430006478471	[redacted]
PLUG DISCONNECT	1430000564721	[redacted]
SEAL RING	1430000564772	[redacted]
REPAIR KIT	1430004211664	[redacted]
WIRING HARNESS	1430009253837	[redacted]
REPAIR KIT, PUMP	1430000100355	[redacted]
SWITCH ASSY	1430009105332	[redacted]

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HORN WAVE GUIDE	1430005602128	[redacted]
ELECTRONIC COMPONENT	1430004072705	[redacted]
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CIRCUIT CARD ASSY	1440000011267	[redacted]
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VOLTAGE POWER SUPPLY	1430007869169	[redacted]
STALO OCILLATOR	5955007882955	[redacted]
STABLIZER	1430010648015	[redacted]
PEDESTAL ANTENNA	1430010146419	[redacted]
CIRCUIT CARD ASSY	1430004035777	[redacted]
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CIRCUIT CARD ASSY	1430004035178	[redacted]
PUMP VALVE	1430009105323	[redacted]
VALVE, REGULATOR	1430009105319	[redacted]
ELECTRONIC - TUBE	5960007679048	[redacted]
RING PISTON	1440006468341	[redacted]
ARM DRIVE	1440008156580	[redacted]
CONTACT ASSY EL	5999003504073	[redacted]
AMP ELE CONTROL	1440010721063	[redacted]
SYNCHRO, CONTROL	5990009222449	[redacted]
SYNCHRO, CONTROL	1430004881091	[redacted]
INSTRUMENT ASSY	1440004812815	[redacted]
VALVE FLOW REG.	4820007903387	[redacted]
COLLER ASSY, HYD	1440007457645	[redacted]
COLLER ASSY, HYD	1440007457645	[redacted]
VALVE REG PRESSURE	4820006771192	[redacted]
CONTROL UNIT, TEMP	1440004812805	[redacted]

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VALVE HYDRALIC	4820008863047	[redacted]
VALVE SOLENOID	4810008863044	[redacted]
PUMP PISTON	4320001769995	[redacted]
SERVO MECHANISM	1265008905129	[redacted]
SERVO MECHANISM	1440000559905	[redacted]
STUD RETAINING	1440003160179	[redacted]
BATTERY NONRECHARGE	6135002744035	[redacted]
AMP - ELECTRIC	1440006574739	[redacted]
TRANSDUCTER ASSY	6625007775183	[redacted]
CABLE ASSY	1440010122810	[redacted]
OSCILLATOR	5955007861173	[redacted]
ISO MODULATOR	1430004823820	[redacted]
CIRCUIT CARD ASSY	1430004916917	[redacted]
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CIRCUIT CARD ASSY	1430004072692	[redacted]
TEST SET, RADAR	4935004084749	[redacted]
MICROWAVE	4935004076980	[redacted]
CONVERTOR FREQ	1430002562995	[redacted]
WAVE GUIDE ASSY	1430007295599	[redacted]
CAVITY, TUNED	1430004076954	[redacted]
ATTENUATOR VAR	5985004720813	[redacted]
WIRING HARNESS	5995010530898	[redacted]
SEMI CONDUCTOR DEVICE	5961010223623	[redacted]
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CRYSTAL MIXER	5985004939151	[redacted]
FILTER SIDE BAND	1430002562989	[redacted]

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CABLE	1430008265721	[redacted]
DETECTOR CRYSTAL	1430004082528	[redacted]
WAVE GUIDE ASSY	5985004140757	[redacted]
DETECTOR CRYSTAL	1430004082489	[redacted]
RADIATOR	2930003220600	[redacted]
RADOME ANTENNA	5985001660223	[redacted]
ANTENNA PEDESTAL	5985001660222	[redacted]
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COIL, RADIO FREQ	5950009846110	[redacted]
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REPAIR KIT	1430009074837	[redacted]
VALVE CHECK	4820008759928	[redacted]
VALVE, SAFE, RELIEF	4820008759874	[redacted]
HOLDER, SEMICONDUCT	5961008759838	[redacted]
DISTRIBUTION BOX	6110008328280	[redacted]
HOSE ASSY, NONMETAL	4720008329890	[redacted]

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HOSE, PREFORMED	4720008887166	[redacted]
HOSE ASSY, NONMETAL	4720000832754	[redacted]
COUPL, HALF, QUICK	4730008831687	[redacted]
VALVE INDICATOR	1430008750845	[redacted]
BRUSH	5977000501479	[redacted]
WAVE GUIDE, ASSY	1430008027540	[redacted]
RELAY ROTARY	5945004004668	[redacted]
ELECTRON - TUBE	5960005834109	[redacted]
FILTER, FAN SUPPORT	5915009182905	[redacted]
MOTOR D.C.	6105006608724	[redacted]
COUNTER BALANCE	3460009796870	[redacted]
SYNCHRO, TRANSMIT	5990008828950	[redacted]
BRUSH, ELECTRIC	5977008764052	[redacted]
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DIODE HOLDER	5961008759838	[redacted]
WAVE GUIDE ASSY	1430009216009	[redacted]
SYNCHRO CONTROL	5990008121341	[redacted]
CARTRIDGE DEHYDRATOR	4440009613753	[redacted]
ELECTRON - TUBE	5960006791791	[redacted]
ELECTRON - TUBE	5960005427181	[redacted]
ELEC COMPONENT	1430009283679	[redacted]

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TRANSFORMER, POWER	5950006498346	[redacted]
INNER CONDUCTOR	1430001942703	[redacted]
SHELL CORE ASSY	1430001942704	[redacted]
ADAPTER WAVESWIDE	1430006468301	[redacted]
ELECTRONIC COMPONENT	1430004072734	[redacted]
BRACK ELECTRIC	6110007949739	[redacted]
COUPL, SHAFT, FLPX	3010009695588	[redacted]
SHAFT, SHOULDERED	1430006470499	[redacted]
RADIO, FREQ, FILTER	5915006791995	[redacted]
RELAY MOTOR DRIVEN	5945008123454	[redacted]
ANTENNA	1430009220387	[redacted]
RADIO, FRQE, SWITCH	5985004820495	[redacted]
RADIO, FREQ, LINE	1430005606545	[redacted]
RADIO, FREQ, SWITCH	5985007882888	[redacted]
RELAY	5945008252516	[redacted]
RELAY	5945006791831	[redacted]
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RELAY, ELECT MAG	5945000519672	[redacted]
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ELECTRON - TUBE	5960005834109	[redacted]
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RELAY ARM, ELEC	5945004919082	[redacted]
RELAY ARM, ELEC	5945004974505	[redacted]
PARTS KIT	1430009418603	[redacted]
SHUTTER	1430009201528	[redacted]
COUPL, DIRECTIONAL	5985004916517	[redacted]
COUPL, DIRECTIONAL	5985004811030	[redacted]

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SW WAVE GUIDE	5985001750267	[redacted]
CIRCUIT CORD ASSY	6130003640828	[redacted]
FUEL, PUMP, ELEC	2910009309367	[redacted]
ACTUATOR, HYDRAULIC	6115009715599	[redacted]
PUMP RECIPROCATING	4320012154572	[redacted]

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DEPARTMENT OF THE ARMY
OFFICE OF THE CHIEF OF STAFF
WASHINGTON, D.C. 20310-0200

DACS-DMP

12 DEC 1986

MEMORANDUM FOR RECORD

SUBJECT: Withdrawal of Documents

The following documents have been removed at the request of the Central Intelligence Agency (relayed to the undersigned by Mr Bob Winchester)

a. (S) Memo for DCSLOG, HQDA, Subject: Transfer of Funds (short title), dated 30 Oct 86.

b. (S) Memo for DCSLOG, HQDA, Subject: Transfer of Funds (short title), dated 16 May 86.

c. (S) Letter for DCSLOG, HQDA, Subject: Transfer of Funds (short title), dated 13 Feb 86.

d. (S) Memo for DCSLOG, HQDA, Subject: Transfer of Funds (short title), dated 16 May 86.

e. (S) Memo for DCSLOG, HQDA, Subject: Transfer of Funds (short title) dated 20 May 86.

Robert T. Howard
ROBERT T. HOWARD
Colonel, GS
[redacted]

[illegible] Declassified/Released on 30 July 87
under provisions of E.O. 12356
by B. Reger, National Security Council

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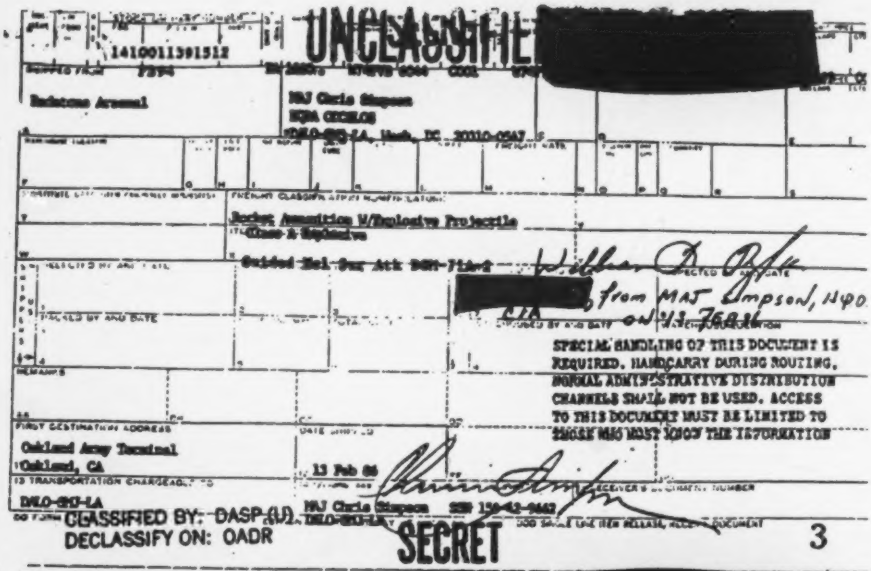

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1410011391512

PB94 EA 508 W74VB 6044 C001

Redstone Arsenal

MAJ Chris Simpson
HQDA ODCSLOG
DALO-SMS-LA, Wash, DC 20310-0547

Rocket Ammunition W/Explosive Projectile
Class A Explosive

Guided Msl Sur Atk BGM-71A-2

Wilbur D. Duff
[redacted] from MAJ Simpson, HQD
CIA on 13 Feb 86

SPECIAL HANDLING OF THIS DOCUMENT IS REQUIRED. HANDCARRY DURING ROUTING. NORMAL ADMINISTRATIVE DISTRIBUTION CHANNELS SHALL NOT BE USED. ACCESS TO THIS DOCUMENT MUST BE LIMITED TO THOSE WHO MUST KNOW THE INFORMATION

Oakland Army Terminal
Oakland, CA

13 Feb 86

DALO-SMS-LA

MAJ Chris Simpson SSN 150-62-9662
DALO-SMS-LA

CLASSIFIED BY: DASP (U)
DECLASSIFY ON: OADR

SECRET

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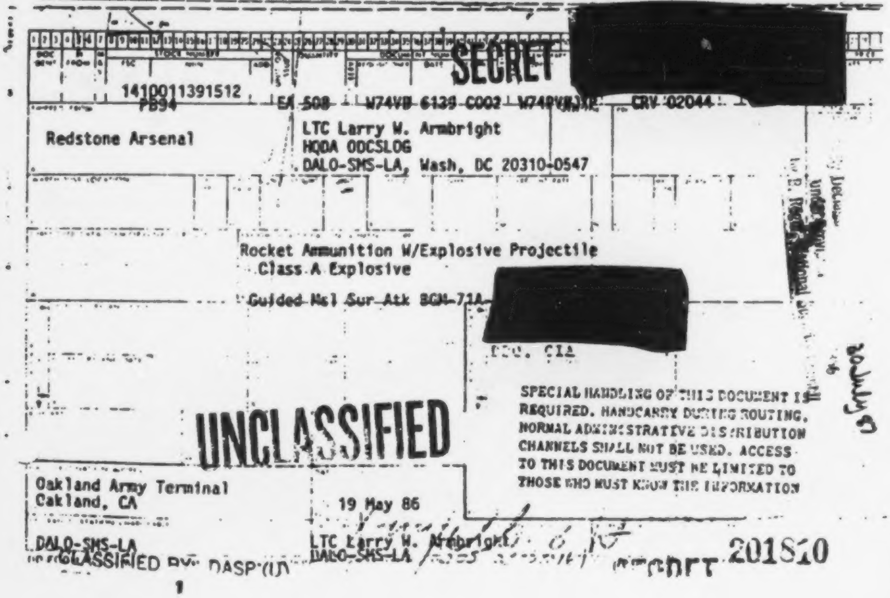

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PB94 EA 508 W74VB 6139 C002 W74RVN3XE CRV 02044

Redstone Arsenal

LTC Larry W. Armbright
HQDA ODCSLOG
DALO-SMS-LA, Wash, DC 20310-0547

Rocket Ammunition W/Explosive Projectile
Class A Explosive

Guided Msl Sur Atk BGM-71A-[redacted]

DCO, CIA

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Oakland Army Terminal
Oakland, CA

19 May 86

DALO-SMS-LA

LTC Larry W. Armbright
DALO-SMS-LA

CLASSIFIED BY: DASP (U)

SECRET

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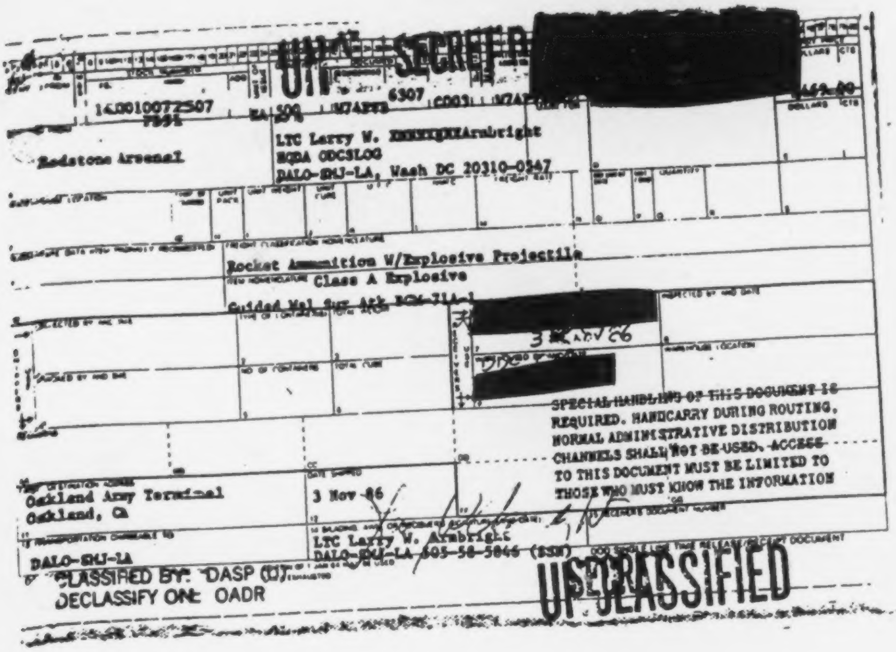

UNCL SECRET [redacted]

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Redstone Arsenal

LTC Larry W. XXXXXXXXArmbright
HQDA ODCSLOG
DALO-SMJ-LA, Wash DC 20310-0547

Rocket Ammunition W/Explosive Projectile
Class A Explosive
Guided Msl Sur Atk BGM-71A-1

[redacted]

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DIX [redacted]

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Oakland Army Terminal
Oakland, Ca

3 Nov 86

LTC Larry W. Armbright
DALO-SMJ-LA 505-58-5846 (SSN)

DALO-SMJ-LA

CLASSIFIED BY: DASP (D)
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[illegible] 12356

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DEPARTMENT OF THE ARMY
OFFICE OF THE SECRETARY OF THE ARMY
WASHINGTON, D.C. 20310-0101

20 November 1986

MEMORANDUM FOR THE HONORABLE RICHARD L. ARMITAGE,
ASSISTANT SECRETARY OF DEFENSE
(INTERNATIONAL SECURITY AFFAIRS)

Attached is in response to your question of weapons systems transfer and their impact on Army readiness.

Joseph C. Oebbecke
Joseph C. Oebbecke
Lieutenant Colonel, GS
Military Assistant to the
Secretary of the Army

Attachment

Partially Declassified/Released on 30 July 87
under provisions of E.O. 12356
by B. Reger, National Security Council

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Impact on Readiness

- o Near Term is inconsequential - minimum impact. Old missiles being used up in training. Many are being retrofitted for new motors.
- o 2,000 Missiles = [redacted] of on-hand stocks.
- o Total AAO was [redacted] missiles.
  On hand = [redacted] missiles or [redacted] days of supplies.

[illegible] Release 30 July 87
[illegible] E.O. 12356
by [illegible] National Security Council

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The following responds to the question:

"What was the weight and cube of the items shipped and what type of aircraft are large enough to transport total quantities?"

	Weight (lbs)	Volume(cubic ft)
Repair parts, HAWK System	45,244	5255
TOW Missiles	185,767	9600
	231,011	14,855

Type Aircraft	Max Capacities	
C5	291,000lbs	19,000 cubic ft
747	180,000lbs	27,300 cubic ft

Bottom Line -

It took more than 1 plane -

Probably 4 707 loads

s/

30 July 87

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EXHIBIT CWW-59

~~SECRET~~ - SPECIAL ACCESS REQUIRED

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DEPARTMENT OF THE ARMY
OFFICE OF THE INSPECTOR GENERAL
WASHINGTON, D.C. 20310-1700

D 2

REPLY TO
ATTENTION OF:

DAIG-IO

[illegible] FEB 1987

SUBJECT: Final Report of Investigation Into the Facts and Circumstances Surrounding the Sale and/or Transfer of Missiles, Spare Parts, and Other Related Equipment to Selected Middle Eastern Countries (U)

Secretary of the Army
Headquarters, Department of the Army
Washington, D.C. 20310

EXHIBIT
CWW-59

I. (U) AUTHORITY

1. (U) Pursuant to the Secretary of the Army's (SA) directive of 28 November 1986, this investigation was conducted from 28 November 1986 through 30 January 1987 by COLs Ned W. Bacheldor and James O. Morton, LTCs Richard L. Whitenton, Robert F. Trotter, and Thomas R. Prickett, MAJ Isaac Brown and Ms. Sandra O. Sieber, United States Army Inspector General Agency (USAIGA). (Exhibit A)

THIS DOCUMENT CONTAINS CENTRAL INTELLIGENCE AGENCY PROPRIETARY INFORMATION. THIS INFORMATION IS MARKED ORCON IN THE CLASSIFICATION PORTION MARKINGS. SPECIAL HANDLING OF THIS DOCUMENT IS REQUIRED. ACCESS TO INFORMATION MARKED ORCON IN THIS DOCUMENT IS LIMITED TO THOSE INDIVIDUALS APPROVED BY THE SECRETARY OF DEFENSE. HAND CARRY DURING ROUTING. NORMAL ADMINISTRATIVE CHANNELS SHALL NOT BE USED.

THE NAMES LISTED BELOW, WHICH ARE FOUND IN THE BASIC REPORT AND/OR EXHIBITS TO THE REPORT, ARE CLASSIFIED SECRET WHEN ASSOCIATED WITH THE CIA.

3051

[redacted]
George Cave
Dewey Claridge
[redacted]
Claire George

[redacted]
Stanley Sporkin
[redacted]

Partially Declassified/Released on 30 July 1987
[illegible]
by [illegible] Council

~~SECRET~~ - SPECIAL ACCESS REQUIRED

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CLASSIFIED BY: Multiple Source

DECLASSIFY ON: OADR

II. (S) MATTERS INVESTIGATED

2. (S) The investigation addressed 10 questions:

a. (S) Issue #1: What was the nature and extent of the Army's participation in the transfer of TOW missiles and HAWK ground support equipment repair parts to the Central Intelligence Agency (CIA)?

b. (U) Issue #2: Did provisions of Army Regulation (AR) 37-60 on determining the price of items to be sold to another government agency under the Economy Act comply with the law?

c. (S) Issue #3: What price should the Army have charged the CIA for the TOW missiles?

d. (S) Issue #4: Why was the CIA charged an incorrect price for the TOW missiles?

e. (S) Issue #5: To what extent were external pressures a factor in charging the CIA an incorrect price?

f. (S) Issue #6: Is it legal for the Army to present the CIA an amended bill for the TOW missiles?

g. (U) Issue #7: Why did the Army provide such an odd number of TOW missiles?

h. (S) Issue #8: Did the sale of HAWK ground support equipment repair parts to the CIA reduce the readiness of U.S. Army air defense forces?

i. (S) Issue #9: Is it possible to upgrade a HAWK missile system using the repair parts sold to the CIA?

j. (U) Issue #10: Did the Army charge the correct price for the HAWK ground support equipment repair parts?

III. (S) BACKGROUND

3. (S) Guidance. On 28 November 1986, LTG Henry Doctor, Jr., The Inspector General (TIG), was called to the office of the Honorable James R. Ambrose, Under Secretary of the Army (USofA), to receive a requirement to investigate the Army's participation in the shipment of arms to Iran. Discussion centered on the transfer of 2,008 TOW anti-tank missiles and several hundred HAWK ground support equipment repair parts from

Army stocks to the CIA. The primary requirements were to determine the details of Army participation and the basis for financial charges to the CIA. These issues are addressed in Section IV, along with other issues raised in that initial session and developed during the investigation.

4. (S) Methodology

a. (U) This investigation has been the highest priority activity in the USAIGA. Activities included contacts with 95 individuals at nine locations; the taking of sworn, recorded testimony from 27 persons; and review of the few documents that could be obtained. The investigators relied principally on the sworn, recorded testimony of key players.

b. (U) The investigation was limited in scope. It did not include examination of such highly publicized matters as the manner in which funds to pay for the missiles and repair parts were obtained, the disposition of any proceeds from the sale of missiles and repair parts to other countries, and the total involvement of senior government officials outside the Department of Army (DA). Most witnesses were members of Army organizations and activities. Some sworn testimony was taken from non-Army officials, but that was done to help establish the actions of Army officials, and not for the purpose of examining the involvement of other government activities and employees.

c. (S) The Army established a detailed procedure to augment the [redacted] (described in paragraph 15) in September 1984 to provide support to the CIA and other selected agencies. Because the requirements for TOW missiles and HAWK ground support equipment repair parts were considered exceptionally sensitive, most Army officials made no written record of their activities. Because records were sketchy and many witnesses understandably lacked a complete memory of events that transpired about a year ago, some conflicts regarding events and dates could not be resolved.

d. (S) Sources have mentioned existing documents that may be relevant to this investigation but to which the investigators were denied access. Specifically:

(1) (S) An internal CIA investigation reportedly addressed CIA interface with the Army. The CIA report allegedly mentions several Army officials, including one who was said to have received guidance directly from LTC Oliver North, then on the National Security Council (NSC) staff. This investigation produced no evidence that any member of an Army organization received any guidance directly from anyone in the NSC.

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(2) (S) The investigators were told the Federal Bureau of Investigation (FBI) may have NSC notes or other documents concerning guidance from LTC North to CIA and/or Army officials on TOW missile prices. This investigation produced no evidence that any NSC official discussed TOW missile prices with any member of an Army organization.

(3) (U) The investigators have also been told the NSC prepared a chronology that is relevant to the investigation. The investigators learned nothing of the substance of that chronology.

e. (U) The fact that this investigation was conducted as expeditiously as possible, concurrent with other independent and sensitive reviews (i.e., President's Special Review Board, Independent Counsel, Congressional Select Committees, FBI, CIA, General Accounting Office, Army Audit Agency) raises the possibility that at some future date, some person or activity will reveal information pertinent to this investigation that is not addressed in this report or that conflicts with this report. Additionally, there may be other documentation or evidence currently available of which the investigators are unaware that could have changed the conclusions in this report.

f. (U) The investigators gave periodic status reports to the Honorable John O. Marsh, Jr., Secretary of the Army (SA), the USofA, and GEN John A. Wickham, Jr., Chief of Staff, Army (CSA). As the investigation neared conclusion, briefings and documents were also given to the Honorable Caspar W. Weinberger, Secretary of Defense (SECDEF). The most significant was a 23 January 1987 summary report, which was based on a draft of this report. The substance of that document has been incorporated into this report. The summary report and other documents used to provide information to SECDEF are at Exhibits AI through AL.

IV. (S) CONSIDERATION OF THE ISSUES

5. (S) Issue #1: What was the nature and extent of the Army's participation in the transfer of TOW missiles and HAWK ground support equipment repair parts to the CIA?

a. (S) Summary and analysis of the TOW missile chronology.

(1) (S) Discussion:

(a) (S) The Army was involved in the transfer of TOW missiles to the CIA by providing that agency with price and

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availability information, converting improved TOWs (ITOWs) to basic TOWs to meet the CIA's requirements for basic TOWs, shipping 2,008 TOW missiles to a location where they could be picked up by the CIA, and billing the CIA for the goods and services delivered. Details of Army involvement in this project, which the Army called Project SNOWBALL, are in the chronology at Exhibit P. The following paragraphs present a summary.

(b) (S) Evidence collected during this investigation showed the Army first became involved in the transfer of TOW missiles to the CIA on Saturday, 18 January 1986. (The CIA agent who was the Agency's principal point of contact with Headquarters, Department of Army (HQDA) testified that he contacted LTG (then MG) Vincent M. Russo, the Assistant Deputy Chief of Staff for Logistics (ADCSLOG), on Friday, 17 January 1986, but this date was refuted by the agent's supervisor and LTG Russo, and all other evidence pointed to 18 January.) On 18 January, LTG Colin L. Powell, then a MG serving as Senior Military Assistant to the SECDEF, gave GEN Maxwell R. Thurman, the Vice Chief of Staff, Army (VCSA), a warning order to be prepared to deliver approximately 4,000 basic TOW missiles to the CIA. The first shipment was to be for 1,000 missiles, with 3,000 more to follow. LTG Powell told the VCSA the project was to be closely held, and to expect "8 to 12 to 36 hours" notice before the first delivery. Based on this guidance, the VCSA personally contacted LTG Benjamin F. Register, Jr., the Deputy Chief of Staff for Logistics (DCSLOG), that same day. Later that day, upon return of the CSA, the VCSA informed the CSA of the tasking. The VCSA also told LTG Powell he had "turned on the switch," and had the [redacted] prepare a memorandum for record (MFR). (Exhibits B-1, pp 2-3; B-2, pp 3-6; B-3, pp 2-3; B-4, p 1; B-26, pp 8-11; B-27, pp 2-5, 10, 13, 14, 16; B-32, pp 2-6; B-33; B-34, pp 4,6; AE)

(c) (S) Upon receipt of the requirement from the VCSA, LTG Register tasked MAJ Christopher Simpson, ODCSLOG's classified program manager, and Mr. John C. Hill, also in ODCSLOG, to determine if the Army could support the requirement. MAJ Simpson reviewed the Army Master Data File (AMDF) and determined the price of the basic TOW missile (model BGM 71A, national stock number (NSN) 1410-00-087-1521) was $3,169. He relayed that information, and the requirement to be prepared to ship 1,000 basic TOWs on short notice to an unspecified customer, to COL James B. Lincoln, the Project Manager (PM), TOW, on 18 January 1986. (Exhibits B-4, p 1; B-5, pp 3-5; B-9, pp 21-24; B-11, pp 5, 10, 13, 26; B-28, pp 6, 7, 29, 32, 35, 49; P3)

(d) (S) During the next week, there were many discussions between representatives of the CIA and ODCSLOG, DA, and between ODCSLOG and the office of PM TOW. Requirements were established for a total of 4,508 missiles. At some point in the discussions the requirement was modified to specify Condition Code "A" (CCA) (serviceable without restrictions) missiles. The CIA stated they did not specifically request CCA but they did want serviceable missiles. The PM TOW determined that 4,508 CCA basic TOWs were not available in depot stocks. When the CIA would not accept ITOW or TOW 2 missiles to fill their requirement, the PM TOW suggested, and ODCSLOG approved, replacing the warheads on 2,500 ITOWs with basic TOW warheads from a stock pile, creating 2,500 extended range basic TOW missiles. (Exhibits B-7, p 13; B-9, pp 5, 22-24, 50; B-11, pp 10-11, 28; B-12, pp 4, 5, 24, 25; B-13, pp 8, 12; B-21, p 6; B-22, pp 3, 5; B-26, pp 21, 31; B-27, pp 19, 23, 26; B-28, pp 68-70, 74)

(e) (S) During this same period, there were many discussions between the PM TOW and ODCSLOG and between ODCSLOG and the CIA about the proper price for missiles. Issues two through six address the various aspects of pricing the missiles. (Exhibit B-34, pp 3, 4)

(f) (S) Based on a verbal request from the CIA, the first shipment of 1,000 basic TOW missiles (with a missile ordnance inhibitor circuit (MOIC) previously installed, model BGM 71A2, NSN 1410-01-139-1512) was taken from inventory at Anniston Army Depot (ANAD) and moved to Redstone Arsenal on 29 January 1986. The missiles were prepared for air movement from Redstone Army Airfield, where they remained for 14 days while the CIA coordinated onward movement. In the meantime, on 30 January 1986, ANAD was directed to prepare to exchange the warheads on 2,500 ITOWs. The exchange actually began on 3 February 1986 and was completed on 28 February 1986. This procedure converted 2,500 ITOWs (model BGM 71C, NSN 1410-01-106-8514) into an equal number of extended range basic TOWs (model BGM 71A1, NSN 1410-01-007-2507). The converted missiles were stored at ANAD pending shipping instructions. (Exhibits B-21, pp 3,5; B-28, 68-70; O; P-1, pp 6,7; P-5; P-6; P-10; P-11; P-12)

(g) (S) On 13 February 1986, the first shipment of 1,000 TOW missiles was signed for at Redstone Arsenal by MAJ Simpson for HQDA and then by a CIA representative. The missiles were loaded on commercial trucks and departed Redstone Arsenal. (Exhibits B-12, pp 26, 27, 29; B-13, pp 32, 37-38; N; P-1, pp 7-8)

(h) (S) On 16 May 1986, the CIA asked HQDA to prepare an additional 508 missiles (identical to those in the first shipment) for shipment by truck from Redstone Arsenal. On 19 May

1986, the missiles departed Redstone on commercial trucks provided by the CIA. (Exhibits B-11, p 43; B-13, pp 37, 38; P-16; P-17; P-18)

(i) (S) The third, and last, shipment under Project SNOWBALL occurred on 3 November 1986, after several conversations between the CIA and HQDA and between HQDA and PM TOW to ensure the shipment consisted of TOWs from the newest lots (see Issue #7 for an explanation on why lots were important). The 500 missiles shipped were extended range (3750 meters) basic TOWs (model BGM 71A1) which came from the 2,500 reworked ITOWs. This left 2,000 reworked ITOWs in storage at ANAD. Again, the missiles left Army control when they departed Redstone Arsenal on commercial trucks provided by the CIA. (Exhibits B-11, p 43; B-22, pp 11, 12; N; O; P-1, p 12; P-19; P-20; P-21; P-22)

(j) (S) Seventeen witnesses were queried about the knowledge they and others possessed on the destination of the TOW missiles. No U.S. Army Missile Command (MICOM) witnesses knew, at that time, that the missiles were being transferred to the CIA. The evidence further indicated that no one then serving in an Army organization or activity knew the ultimate destination of the missiles after they were transferred to the CIA. (LTG Powell, an Army officer, knew the destination, but he was then assigned to the Office of the Secretary of Defense (OSD)). (Exhibits B-1, pp 2, 3; B-2, p 7; B-3, p 4; B-4; B-7, p 10; B-8, p 3; B-9, pp 78, 79; B-10, p 5; B-11, pp 43-46; B-12, p 39; B-13, p 37; B-14; B-15, p 38; B-16, p 27; B-19; B-20; B-21, p 4)

(2) (S) Conclusions:

(a) (S) The Army was first alerted of a requirement to transfer TOW missiles to the CIA on 18 January 1986.

(b) (S) The Army and especially MICOM (PM TOW) and HQDA (ODCSLOG) were deeply involved in planning for and transferring 2,008 TOW missiles to the CIA.

(c) (S) Available evidence showed no one at MICOM knew the CIA was the recipient of the missiles.

(d) (S) Available evidence showed no one then in an Army organization knew the ultimate destination of the missiles.

b. (S) Summary and analysis of HAWK chronology.

(1) (S) Discussion:

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(a) (S) The Army was involved in the transfer of HAWK ground support equipment repair parts to the CIA by providing availability data, identifying substitutes when the requested item was not available, consolidating all requested items at one depot, contracting for transportation to deliver the parts from that depot to a location designated by the CIA, and billing the CIA for goods and services furnished. Details of Army involvement in this project, which the Army called Project CROCUS, are in the chronology at Exhibit R. The following paragraphs present a summary.

(b) (S) Army involvement began on 9 April 1986, when the Honorable William H. Taft, IV, Deputy Secretary of Defense, advised the CSA of a requirement to provide 240 line items of HAWK repair parts to the CIA. GEN Wickham subsequently tasked LTG Russo to act as the Army point of contact with the Agency. Still on 9 April 1986, LTG Russo established contact with a CIA representative, who later (10 April) provided LTG Russo a list of 234 repair parts, in varying quantities required for support of HAWK ground support equipment. (Exhibits R-2; R-3)

(c) (S) Over the next 20 days, ODCSLOG coordinated an exhaustive search, involving numerous Army organizations, the Defense Logistics Agency (DLA), and the United States Air Force (USAF), to identify and find the 234 line item numbers (LINs), which consisted of 146 HAWK peculiar lines, 11 lines that ultimately could not be identified, and 77 common items. When requested items appeared unavailable, the search was expanded to determine if the requirement could be satisfied with either a substitute item or the next higher assembly. During this period there was constant interchange between ODCSLOG and the CIA, and LTG Russo provided verbal updates to the VCSA and to the Executive Officers to the CSA and SA. By 29 April, available Army items were consolidated at Red River Army Depot (RRAD), and on 30 April, the CIA was provided availability (in some cases, the quantity available was less than requested) and price data for 221 LINs (11 stock numbers provided could not be identified and 2 were at zero balance). The CIA was given a total cost, to include packing, crating, handling and transportation charges, of $4.4 million. (Exhibits R-4, p 2; R-5; R-6, pp 1-2; S)

(d) (S) On 25 April 1986, the CIA advised ODCSLOG of an additional requirement for two "pre phase II PIP (product improvement program) configured" HAWK radar systems. Review by ODCSLOG, HQ Army Materiel Command (AMC) and MICOM revealed that the only assets in stock were two AN/MPQ-46 high-power illuminator radars, costing $3,088,800 each, purchased by the Iranians before overthrow of the Shah and being held at

Letterkenny Army Depot pending disposition of Iranian claims. This information was passed to the CIA, which was also advised, on 13 May 1986, that the radars could not be treated as part of the HAWK parts project and would have to be requested separately. (Exhibits B-6, p 41; R-1, p 3; W)

(e) (S) On 16 May 1986, the CIA certified availability of funds in the amount of [redacted] for the purchase of the requested parts, less the radars. On that day, the Army shipped the parts which had been consolidated at RRAD to [redacted] The DLA was directed to ship the 11 items it managed. On 23 May 1986, the CIA confirmed receipt of all items shipped to [redacted] (Exhibits R-6, p 4; R-8; R-9)

(f) (S) On 19 or 20 May 1986, the CIA requested two post phase II (AN/MPQ-57) HAWK radars, a newer version of the AN/MPQ-46, and on 20 May, the CIA certified availability of [redacted] to test, inspect and service the two AN/MPQ-46 radar sets previously identified. According to [redacted] CIA, the CIA requested the newer radars with the intent of trading Israel the two AN/MPQ-57 radars for two Israeli AN/MPQ-46 radars which could then be shipped to Iran. The AN/MPQ-46 radars were checked by Army personnel as requested. AMC also identified two AN/MPQ-57 radars, in depot stocks, which were held pending further instructions from HQDA. On 29 May 1986 MICOM advised HQDA that use of the Iranian owned AN/MPQ-46 radars would have no impact on Army programs but release of the AN/MPQ-57s would affect a scheduled transfer of assets to the U.S. Marine Corps. (Exhibits B-26, pp 70, 93; R-10; R-11; B-23, pp 6-7; R-12; W)

(g) (S) On 2 June 1986, the CIA put the radar transfer action on "hold", a status which continued until 30 July 1986. On that date, the CIA advised ODCSLOG the radars were again a topic of discussion and a decision could be imminent. ODCSLOG began inquiries into release procedures for the Iranian assets (AN/MPQ-46). On 4 August 1986, the Defense Security Assistance Agency (DSAA) informed ODCSLOG that the Iranian assets could not be released as title had been passed to Iran in connection with Iran's $12 billion law suit against DOD. This information was relayed to the CIA on 5 August 1986. (Exhibits B-6, pp 41-43; R-1)

(h) (S) During the 5 August 1986 exchange with the CIA, ODCSLOG was asked to check the current status of HAWK repair parts not available at the time of the original shipment. A few items were found, and on 19 August 1986, ODCSLOG directed freezing of available assets. On 4 September 1986, the CIA

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provided ODCSLOG a list of requirements for 30 LINs, including added quantities of items previously shipped and items requested but not shipped. Some items on this list were also found and on 5 September 1986 ODCSLOG directed these assets be frozen pending further guidance from HQDA. By a 22 September 1986 memorandum, [redacted] informed the CSA and VCSA of concerns that Project CROCUS [redacted] The Army General Counsel (AGC) reiterated that concern on 10 October 1986 and withheld concurrence in the 8 September 1986 ODCSLOG action memorandum on additional support of Project CROCUS because there was insufficient information on the ultimate purpose and destination of the items in question. On 22 October 1986 the [redacted] sent the SA a memo recommending no further release of materiel for Project CROCUS until details of the project were made available and a legal position established. On 24 October 1986, Mr. Marsh discussed the subject with Mr. Taft. As a result of that meeting, the action was placed on hold and as of 30 January 1987, the parts and radars were still being held by the Army. (Exhibits R-1; R-7; R-13; R-14; R-15; R-16)

(1) (U) The investigators asked twenty-five persons (18 in informal discussions, seven in sworn testimony) about the knowledge they and others possessed on the destination of the HAWK repair parts. There was no evidence any military or civilian member of any Army organization knew the ultimate destination of the repair parts. (Exhibits B-3, p 4; B-7, p 10; B-9, pp 78, 79; B-10, p 5; B-14; B-19; B-20; AM)

(2) (S) Conclusions:

(a) (S) The Army, with MICOM as the principal player in execution and with ODCSLOG, DA, providing guidance and interface with the CIA, was heavily involved in the transfer of HAWK ground support equipment repair parts to the CIA.

(b) (U) The DLA and USAF participated with ODCSLOG in execution to the extent that some of the HAWK ground support equipment repair parts were supplied by their organizations.

(c) (U) Available evidence showed no one then in an Army organization knew the ultimate destination of the repair parts.

6. (U) Issue #2: Did provisions of AR 37-60 on determining the price of items to be sold to another government agency under the Economy Act comply with the law?

a. (U) Discussion:

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(1) (U) Economy Act/AR 37-60.

(a) (U) The Economy Act (31 USC Section 1535) stated an agency could order goods or services from another agency if four conditions were met: (1) amounts were available, (2) the transaction was in the best interest of the US Government, (3) the agency to fill the order was able to provide or get the goods or services by contract, and (4) ordered goods or services could not be provided by contract as conveniently or cheaply by a commercial enterprise. The Economy Act also said payment may be made in advance or on delivery and "shall be for any part of the estimated or actual cost as determined by the agency or unit filling the order." The Act further provided that advance payments shall be adjusted "on the basis of the actual cost of goods or services provided." (Exhibit D)

(b) (U) AR 37-60, Pricing for Materiel and Services, 15 October 1985, said standard pricing would provide a basis for reimbursement of Army appropriations and funds from all customers except for Foreign Military Sales (FMS) and Military Assistance Program (MAP). It further said items with a NSN were centrally managed and their standard price was published in the AMDF. (Exhibit C)

(c) (U) In a 2 January 1987 memo, the investigators asked the Office of The Judge Advocate General (OTJAG) if AR 37-60 complied with the Economy Act and if AR 37-60 should have been used as a basis for determining the price of goods transferred to another government agency or if a price based on actual cost should have been used.

(d) (U) In its 7 January 1987 response, OTJAG said: "The term 'actual cost' in the Economy Act refers to direct historical or acquisition cost incurred by the Army in obtaining supplies or equipment. It also includes indirect costs which are significantly related to the furnishing of supplies or equipment to another Federal agency and which are funded from currently available appropriations (examples of such costs include transportation, packaging, labeling, and handling). No statute authorizes the Department of Defense (DOD) or DA to deviate from the Economy Act's actual cost reimbursement requirement. Nevertheless, the Economy Act gave the DOD and DA considerable latitude in determining the proper reimbursement for items transferred to other Federal agencies. Opinions of the Comptroller General recognize that the term 'actual cost' has 'a flexible meaning' and must reflect 'distinctions or differences in the nature of the performing agency, and the purposes or goals intended to be accomplished'."

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(e) (U) In its 7 January 1987 opinion, OTJAG also said, "AR 37-60 prescribes a proper methodology for determining the price of items transferred under the Economy Act." OTJAG further said the standard pricing mechanisms prescribed in AR 37-60 "represent a reasonable exercise of the discretion afforded Federal agency heads by 31 USC Section 1535 (b)." OTJAG coordinated its response with the offices of the Army General Counsel, Comptroller of the Army, and (by telephone) the General Counsel, DOD. (Exhibits E; F; AN)

(2) (U) DODI 7510.4/AR 37-60

(a) (U) DOD Instruction 7510.4, Uniform Policy for Charging Accessorial and/or Administrative Costs Incident to Issues, Sales, and Transfers of Materials, Supplies and Equipment, 7 April 1967, said the standard rates set forth in the instruction "shall be applicable" to sales and transfers of all materials to other government departments, agencies or instrumentalities. Actual costs could be charged only if unit price exceeded $10,000. However, the 15 October 1985 version of AR 37-60, in effect at the time of the first two shipments, said "actual or estimated costs may be used when the supplying agency decides that a fairer charge will result for items having a unit value of less than $10,000." (Exhibits C; G)

(b) (U) By a 5 January 1987 memo, the investigators asked OTJAG for the proper reconciliation of these conflicting regulations, as related to accessorial and administrative costs. On 14 January 1987, a reply was received from the Assistant COA for Fiscal Policy, the proponent for AR 37-60, to whom the question had been referred. The reply indicated the 28 July 1986 update of AR 37-60 eliminated the actual cost exception for items under $10,000. This change was based on guidance from DOD that the 15 October 1985 version was not in conformance with DODI 7510.4; the Army should have required and should have been charging 3.5% of materiel costs for accessorial costs on items with a unit cost of less than $10,000. (Exhibits H; I)

b. (U) Conclusions:

(1) (U) Provisions of AR 37-60 on determining the unit price of items to be sold to another government agency under the Economy Act complied with the law.

(2) (U) That portion of AR 37-60 which permitted charging actual costs, in lieu of standard rates, when unit value was less than $10,000, conflicted with DODI 7510.4. COA

eliminated that conflict when it published an update of AR 37-60 on 28 July 1986.

7. (S) Issue #3: What price should the Army have charged the CIA for TOW missiles?

a. (S) Discussion:

(1) (S) The Army was tasked on 18 January 1986 to be prepared to provide 4,000 TOW missiles, on short notice, to the CIA. Details of this tasking are at Issue #1. (Exhibits B-1, p 3; B-2, p 3)

(2) (S) The tasking for "basic" TOWs was translated in Army terms to mean BGM-71A TOW missiles. On the basis of subsequent discussions with the CIA, HQDA modified the requirement to specify Condition Code "A" (CCA) (serviceable without restriction) missiles. Since all Army stocks of BGM-71As were Condition Code "N" (CCN) (restricted - combat use only), the next best way to meet the requirement was to provide BGM-71A2 missiles (a BGM-71A missile with a Missile Ordnance Inhibitor Circuit (MOIC) installed). However, Army stocks of BGM-71A2s (2,356 on hand) were not sufficient to satisfy the entire requirement (4,508). HQDA then decided to provide 2,008 BGM-71A2s from stock and convert 2,500 BGM-71C (ITOW missiles) to BGM-71A1 by removing the ITOW warhead and replacing it with a basic missile warhead. (Exhibits B-4; B-9, pp 21-24, 25-28, 46, 49-50; B-13, pp 13-14; B-12, pp 4-5, 11, 24)

(3) (S) A price of $3,469 for the missiles was established on or about 27 January 1986 by LTG Russo, ADCSLOG, using the following logic:

(a) (U) Army Master Data File (AMDF) price for BGM-71A = $3,169

(b) (U) Estimated cost of a MOIC and installation = $300

(c) (U) Basic missiles were all the same, regardless of the increased range.

(d) (U) Replacement costs were not applicable under the Economy Act. (Exhibit B-6, pp 6, 10-11)

(4) (S) Actual costs in the amount of $30,691 ($23,191 for the first two shipments, $7,500 for the third) for accessorial expenses associated with the shipments were charged to the CIA. A detailed summary of the original charges for TOW missiles is provided below.

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TOW MISSILE CHARGE MATRIX
(ORIGINAL CHARGES TO CIA)

BGM 71A2		COSTS
MISSILES (1,508) (1st and 2d Shipment)		$5,231,252
Unit Price	3,469	
71A	[3,169]	
MOIC	[300]	
ANCILLARY COSTS		23,191
Transportation	4,583	
Labor/Materials	9,901	
Other (Security, TDY)	8,707	
MISSILE MODIFICATION (from ITOW to basic TOW)		377,720
71A2 Missiles (SUBTOTAL)(1st and 2d Shipment)		$5,632,163[1]
BGM 71A1		
MISSILES (500) (3d Shipment)		$1,734,500
Unit Price	3,469	
71A	[3,169]	
MOIC	[300]	
ANCILLARY COSTS		7,500
Transportation	3,383	
Labor/Materials	3,960	
Security	157	
71A1 Missiles (SUBTOTAL) (3d Shipment)		$1,742,000[2]
TOTAL		$7,374,163

NOTES:
1. (S) Amount paid to the Army by the CIA as of 30 January 1987.

2. (S) As of 30 January 1987, the CIA had not paid the Army for the third shipment.

(5) (S) The investigation included an independent price assessment by DAIG investigators, based on appropriate DOD and DA regulations and input from the offices of the DOD and Army General Counsels, to either validate or correct the price the Army charged the CIA. In this assessment, the investigators found: (Exhibits I; J; K; L; M)

(a) (U) Pricing procedures in AR 37-60 called for extracting the item's stardard price from the AMDF and adding ancillary charges, when appropriate, to arrive at the total cost

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of the items sold. The application of depot modifications to items in inventory, as was done to 2,500 missiles, was to be treated as a procurement cost, per paragraph 2-2g, AR 37-60, and added to the existing standard price to arrive at the revised standard price. (Exhibit C)

(b) (U) Standard prices for materiel were contained in the AMDF, published monthly by the AMC Catalog Data Activity (CDA) based on input from AMC. AMC had overall responsibility for determining AMDF prices, with the item manager at subordinate commands responsible for price input to the AMDF. (Exhibit AH)

(c) (S) The basis for what the Army should have charged the CIA was:

(1) (U) Construction of the unit price for the first and second shipments of 1,508 missiles (BGM-71A2) should have been based on the latest procurement/AMDF standard price of $3,169 for the basic TOW (BGM-71A) and the cost of the MOIC plus installation cost. The MOIC kits were procured from Hughes Aircraft under contract DAAH01-84-C-0940 at a unit cost of $156.90, and ANAD installation/labor cost was $168 per missile, thus establishing a "should have been charged" price of $3493.90. A summary of the corrected charges for the 1,508 missiles in the first two shipments is provided below:

PRICE CONSTRUCTION

(BGM 71A2 - 1st and 2d SHIPMENT - 1,508 MSLS)

January 1986 AMDF Standard Price (BGM-71A)	$3,169.00[1]
MOIC Kit	156.90
Labor	168.00
Corrected Standard Unit Price for 71A2	$3,493.90

(Exhibit AF)

(2) (S) To meet the CIA requirement, 2,500 ITOWs (BGM-71C) were modified by exchanging ITOW warheads for basic TOW warheads from depot stocks at a depot cost of $377,619.23 or unit cost of $151.05. The original warhead cost of $358.74 for the 500 missiles shipped was computed by applying the weighted average, as specified in AR 37-60, to three lots of warheads of various quantities and prices. The same procedure as above was used to arrive at the current unit price of $208.74 for the basic TOW warhead, which replaced the ITOW warhead. A summary of the corrected charges for the last 500 missiles transferred to the CIA is provided below: (Exhibits C; AF; AG)

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(BGM 71A1 - 3rd SHIPMENT - 500 MSLS)

January 1986 AMDF ITOW Standard Price (corrected)		$8,069.00[1/2]
Labor Cost for Warhead Change		151.05
Basic TOW Warhead		208.74
	Subtotal	8428.79
Credit for ITOW Warhead (reused in ITOW production)		<358.74>
Corrected 71A1 Unit Price		$8070.05

[1] Price indicated is the most accurate possible at the time of investigation and accounts for mathematical and obvious errors in the methodology used. The pricing procedures, as reflected in this report, are in accordance with AR 37-60. Due to the general nature and complexity of the regulation and the lack of implementing instructions at intermediate levels of operation, changes in the procedures may be required.

[2] The January 1986 AMDF price of $8,875 for a BGM-71C, NSN 1410-01-106-8514, was based upon input from the 16 July 1985 TOW PM annual review forwarded to the TOW Item Manager in the Missile Logistics Center (MLC) on 29 August 1985. The figure transmitted to MLC was extracted from the wrong line of the form used by PM TOW to compute cost and included nonrecurring and unfunded costs not authorized in computation of standard price. The figure transmitted to MLC was $8,619, the total FMS sales price, and in fact should have been $8,069, the base FMS price. Before the 2 October 1985 submission to CDA, the item manager added another 3% surcharge not authorized by AR 37-60. (Exhibits L; AF; AO; AP; AQ)

(3) (S) Ancillary costs were computed IAW a provision in AR 37-60, dated 15 October 1985, that allowed for the use of actual packing, crating, and handling (PCH) costs for items with a unit price under $10,000. However, that method was contrary to guidance in DOD Instruction 7510.4 dated 7 April 1967. Based on DOD guidance, an update of AR 37-60, dated 28 July 1986, eliminated the provisions for use of actual costs for PCH for items under $10,000 each. Based on this DOD guidance and the amended version of AR 37-60, and with the support of OTJAG and COA opinions, the investigators found the CIA should have been charged 3.5% of the hardware cost for PCH. (Exhibits C; G; I)

(4) (S) The CIA was charged $377,619.23 for labor costs to convert 2,500 ITOWs to basic TOWs. The individual missile price that should have been charged for the last 500 missiles shipped includes $75,523.85 of the total labor costs. The remaining $302,095.38 is still a valid cost to the CIA

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because all 2,500 missiles were converted in February 1986. A summary of what the Army should have charged the CIA is provided below. (Exhibits P-14; P-15)

CORRECT TOW MISSILE PRICE
IAW AR 37-60

Missile Hardware (1,508) (BGM 71A2) (1st and 2d Shipments)	$5,268,801.20[1]
Packing, Crating and Handling Costs for the BGM 71A2s	184,408.04[2]
Missile Hardware (500) (BGM 71A1) (3d Shipment)	$4,035,025.00[3]
Packing, Crating and Handling Costs for BGM 71A1s	141,225.87[2]
Modification Cost for Remaining 2,000 Missiles	$302,095.38[4]
Total	$9,931,555.49
Total Shortfall	<$2,557,392.49>

Notes: 1. (U) AMDF price of $3,169 for BGM-71A plus actual cost of $324.90 for the MOIC kit and installation cost.
2. (U) Represents 3.5% of the hardware cost.
3. (U) Based on a corrected BGM 71A1 unit price of $8070.05.
4. (U) Depot modification cost for 500 missiles included in the missile hardware (500) price is $75,523.85.

(5) (S) Conclusions:

(a) (U) The Army should have charged $3,493.90 each for I,[redacted] missiles (first and second shipment) and $8,070.05 each for [redacted] remaining 500 (third shipment).

(b) (U) Ancillary costs should have been charged at the rate of 3.5% of hardware costs, to comply with DODI 7510.4. The actual amount charged for ancillary costs was inconsistent with DOD policy because provisions of AR 37-60 dated 15 October 1985 were contrary to DOD Instruction 7510.4.

(c) (S) The CIA should have been charged $302,095.38 to recover the cost of modification to missiles modified to support the requirement but not shipped.

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(d) (U) The PM TOW and MICOM used incorrect procedures when developing the Army standard price, published in the AMDF, for ITOW (BGM-71C) missiles.

8. (S) Issue #4: Why was the CIA charged an incorrect price for the TOW missiles?

a. (S) Evidence:

(1) (S) GEN Thurman described receiving the tasking to provide TOW missiles from LTG Powell on 18 January 1986. GEN Thurman said he inquired of LTG Powell, "You're talking about vanilla TOWs?" and LTG Powell responded, "Yeah. I'm talking about vanilla TOWs." GEN Thurman asked LTG Powell if he would receive anything in writing on the mission (indicating he had no written document at the time) but did not recall LTG Powell's response. (Exhibit B-2, p 3)

(2) (S) LTG Powell testified that throughout the fall of 1985 interlocutors from outside DOD questioned him regarding TOW prices. He contacted DSAA and was told the price of a TOW missile was $10-11,000. He perceived an emerging idea of providing TOW missiles to Iran. In reference to the sale of TOW missiles to the CIA, he said, "over the course of the fall and then after the decision was made in January (1986) and after the initial transactions took place, that price kept floating back and forth..." He said it was a function of whether you priced it out as an FMS contract, which was clearly not the right way to do it." It was "always clear that we were using the Economy Act. And so the price floated back and forth over a period of weeks and months for that matter, both before the decision and after the decision." It went "everywhere from $4,000 to $10,000. And maybe even a tad higher." Concerning his conversation with Vice Admiral John M. Poindexter, National Security Advisor, LTG Powell added, "over the course of the fall and winter, we were talking about numbers that were floating from $10-11,000 down to 4 or 5 or 6 thousand." When the cost got below $4,000, he said, "I was quite surprised that it went that low because all the while we had been talking about something higher than 7, 8, 9...." He said LTG Russo reported to him on a couple of occasions "there's a way to do this and the cost will come in lower." He told LTG Russo to recover the cost of the missiles and services and to ensure the Army was "not out one dollar." He said he had conversations with Admiral Poindexter and maybe LTC North about price but his only discussions on price within the Army were with LTG Russo. He kept the Secretary of Defense informed on the status of LTG Russo's discussions with the CIA. There was interest from Admiral Poindexter and/or LTC North in what the

price should be and in getting the price lower but he never felt pressure to get the price lower. LTG Powell said he believed LTG Russo was also receiving inquiries from the NSC or through the CIA about getting the price lower. When the price came in at around the $4,000 point that was what LTG Powell's NSC contacts had said all along that it should have been. He assumed the NSC had been pressing him to justify the higher estimate ($10,000) because they had to explain it to the buyer. He knew of no money that would be going anywhere but to the Treasury of the United States. The context in which he was answering questions and giving guidance to LTG Russo had nothing to do with trying to get the cost low in order to make money available for some nefarious purpose. His total mindset was that all the money, regardless of the amount, would be paid to the Army and the buyer would pay only for TOWs, not TOWs plus some additional amount of revenue that would be used for another purpose. With respect to the CIA's interaction with the Army regarding cost, LTG Powell stated, "I was aware that General Russo was working with the CIA to determine what the cost would be." He gave LTG Russo no direction to keep the price down but "... as time progressed the numbers kept floating back and forth every time I talked to LTG Russo and they were always floating downward." (Exhibits B-1, pp 2-10, 14; B-24, pp 3-4)

(3) (S) Upon being told of the mission, LTG Register tasked MAJ Simpson to determine if the mission was supportable and tasked Mr. John Hill, Logistics Support Office, ODCSLOG, to provide the status of TOW missiles, worldwide. LTG Register was briefed by Mr. Hill concerning the 30 September 1985 status of the basic TOW (71A), ITOW (71C), and TOW 2 (71D). He recalled that conversation centered on the basic TOW (71A) but did not recall if MAJ Simpson was in the room when Mr. Hill provided the information. On 20 or 21 January 1986, LTG Register passed responsibility for the action to LTG Russo, [redacted] LTG Register's subsequent involvement was limited to receipt of periodic status reports from LTG Russo. He was not involved in any pricing discussions but had a general knowledge of the requirement for a warhead change on the ITOW. It was his understanding that the price to be charged for the missiles was the price of the basic TOW (71A) plus the cost of the MOIC modification. (Exhibit B-4, pp 1-2)

(4) (U) Mr. Hill confirmed that he was called to the office one Saturday by LTG Register, who wanted to know where TOW missile assets were located, by type and condition code. He did not remember specifically when he was called in other than that it was in the January to March time frame. Using the 30

September 1985 Missile Distribution Plan (MIDP), he told LTG Register where TOW missile assets were, worldwide, and condition codes he was aware of. He said LTG Register wrote down approximately four major locations where the Army had TOWs stored, recording it by missile type, NSN, and model number. He did not recall a price discussion. (Exhibit B-5, pp 3, 5-6)

(5) (S) LTG Russo testified that he believed his initial involvement was Monday of the first week (20 January 1986) and that MAJ Simpson told him the price of the BGM-71A missile was $3,169. He knew of no exploratory actions on TOW missile pricing or availability before the Army's initial involvement on 18 January 1986. He recalled no conversations or meetings with [redacted] (CIA) prior to 20 January 1986. He did recall meeting with [redacted] during the week of 20 January 1986 and discussing the removal of markings from the TOW boxes, the type of aircraft to be used, how many missiles would fit on a pallet, etc. He said he did not deal in terms of Condition Code "A" or "N" until "about two weeks ago" (approximately 1 December 1986). However, he was told by MAJ Simpson that a safety related modification to the basic TOW was required. The modification was the addition of the MOIC, which MAJ Simpson told him would cost $300. In recall testimony, LTG Russo said he did not know the addition of the MOIC converted the 71A model to a 71A2 model, and if previous testimony indicated differently, it was incorrect. Also, he did not know there was a price difference, except for the $300 cost of the modification. He said LTG Powell gave him no specific guidance on missile pricing but did tell him, "make sure that the Army doesn't get screwed in the process." LTG Russo added, "I was torn on one end, don't screw the Army, on the other hand, Economy Act says actual costs. I couldn't find the difference between these three basic missiles that we were transferring and so ah -- I'm back to that same point." He told MAJ Simpson to impress upon everyone to collect the costs associated with the missile. LTG Russo said he recalled only one telephone conversation with LTG Peter G. Burbules, then a MG in command of MICOM, concerning this transaction. He said LTG Burbules talked about a "significant price difference." He further discussed their conversation, saying that LTG Burbules "...alluded to the fact that the missile being provided was a more expensive missile, and I kept asking the question, 'Is it or isn't it a basic TOW?' The answer was, yes." He said whatever LTG Burbules was talking about fell into that category of basic TOW. That's where he had a fundamental block in communicating with LTG Burbules. He said he did not know if their conversation involved the ITOW missile. "I think--you know--had we gotten to the stock number level I think it would have been reasonable for me to have somehow

challenged that more firmly with the folks, in terms of how we got from thirty-four sixty-nine to eight thousand and change. I didn't do that." He told LTG Burbules it just did not make sense having a basic TOW that cost $3,169, adding a MOIC for $300, and charging more than $3,469. LTG Russo added, "...what we were taking was some missiles that had already gone through that process of the basic 71A, adding the $300 MOIC to it, and coming up with this. And my judgement at that time was a 71A with a MOIC applied. Now the fact that it is a 71A2 (he apparently believed 71A2 was also a model number for a basic TOW), I really didn't ascribe anything to it, and I frankly discounted the eight thousand figure." He did not recall any TOW missile cost or requirements discussions with LTG Powell prior to 18 January 1986. LTG Russo initially did not remember discussing any variances in price with LTG Powell other than $3,169 and $3,469. He subsequently recalled a conversation with LTG Powell during which he may have told LTG Powell there was a more significant price involved which could go as high as $8,000. He said he may also have related the MICOM pricing concerns to LTG Powell but told LTG Powell the price should stay at $3,169 or something like that. LTG Russo did not recall having told LTG Powell, "There's a way to do it for less money." LTG Russo said his memory was a little "fuzzy" on the conversations with LTG Powell but he believed that during one of the conversations a working figure of around $6,000 as a cost was brought into the conversation by LTG Powell. LTG Russo added that he may have given the CIA an estimated cost of $6,000 per missile, which would have included all costs associated with the project, such as missile cost, transportation, security, warhead change, etc. He did not recall anyone from the CIA telling him the $6,000 price was too high, and said at that time he didn't know who LTC North was. Also, no one told him that the NSC was interested in getting the price lower. In explaining the price determination he said the Army had a certain number of basic TOW missiles with an AMDF price of $3,169 to which a MOIC had been added for $300 making the price $3,469. He said, "I knew $3,169. I knew $300 for the MOIC which made it $3,469 and I don't ever remember another number after that." He referred to the Economy Act, AR 37-60 (table 2-1), and used common sense to arrive at a price of $3,469. "Now, if the records reflect I was wrong, I made that mistake." On 20 or 21 January 1986 he advised [redacted] (CIA) the price was $3,169. A day or so later the MOIC issue came up and he advised [redacted] the price would be $3,469. The Army told the CIA what the price would be, not the other way around. There was no haggling and the CIA did not ask him if he could find a way to get the price to a lower level. He said the Army gave them a price and that was acceptable to the CIA. He added that was when he believed [redacted] said, "Well, that keeps us inside the 25

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million window." He added that [redacted] was not upset with the $300 price increase for the MOIC. He believed the source of funding to pay for the project was money appropriated by Congress for the CIA. He had no contact with LTC North or other NSC representatives and did not know the NSC was involved. (Exhibits B-6, pp 5-7, 9-12, 20-21, 29-30; B-7, pp 2-4, 9, 13, 16, 22, 27-31; B-27, pp 2-3, 5-7, 10, 13, 15, 18, 21-24, 28-32, 34)

(6) (S) LTG Burbules testified that he was under the impression the transfer was an FMS transaction with country "X". He did not know at the time that there was one price for FMS transactions and a different price for Economy Act sales. He said COL Lincoln, PM TOW, advised him that he believed the TOW price "directed" by ODCSLOG was excessively low because the replacement cost would be substantially higher. COL Lincoln did not discuss with him a different missile stock number, condition codes, or AMDF prices, nor did he mention that the requirement had been elevated from basic TOWs to 71A2 missiles. He said, "I was told by COL Lincoln the situation in general terms; that we were selling a TOW missile priced at about $3,000 but that to replace that missile, that perfectly good tank killer, by current production missiles would be, you know, $8,000; substantially more than the old price. And I felt that we should charge the replacement value. And that's what I told LTG Russo. LTG Russo apparently decided otherwise. We were told by DA DCSLOG that would be the price that we charge and in my mind that was a Headquarters, Department of the Army decision and the matter was closed." He did not advise LTG Russo that a modified ITOW would still be a basic TOW. He did not know the missiles were being transferred to the CIA. (Exhibit B-8, pp 3-9, p 11, pp 17-18, and p 21)

(7) (S) MAJ Simpson testified that his initial knowledge of and involvement in the transaction was on Saturday, 18 January 1986, when he was called to the office to meet with the DCSLOG. He did not discuss TOW missile pricing prior to that time, even on an exploratory or "what-if" basis. LTG Register told him approximately 4,000 basic TOWs were required right away and his (MAJ Simpson's) task was to determine if the mission could be supported. MAJ Simpson recalled being told by LTG Register that either the CSA or VCSA had said a minimum number of people were to be involved and minimal records were to be kept. Mr. John Hill gave him a stock number for the basic TOW missile that Saturday morning (18 January 1986). Having the stock number, MAJ Simpson checked the January 1986 AMDF and determined a price of $3,169. He passed the stock number to COL Lincoln and by the end of the day COL Lincoln told him he could support the mission with the stock number MAJ Simpson had provided him at a

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cc of $3,169 per missile. COL Lincoln caveated his response by sa ng that none of his professionals were available at the mo it (to verify the information he provided). On 20 January 19 [redacted] (CIA) established the requirement that the mi les be in Condition Code "A". MAJ Simpson was certain that he passed the change in the requirement to COL Lincoln or his Deputy, Mr. George Williams, "the minute I got it from the agency." Subsequently, the price of $3,169 was determined to be inaccurate because that price was for a missile which was not in condition code "A". On 27 January 1986, Mr. Williams, Deputy PM TOW, told MAJ Simpson that to put the missiles in condition code "A", the installation of a MOIC was required. Mr. Williams quoted a price of $300 to install the MOIC. MAJ Simpson and COL Lincoln agreed that adding a MOIC to a basic TOW to bring it to condition code "A" would raise the total price to $3,469. When he was told of the need for a $300 price increase, it was he, not LTG Russo, who made the decision and advised the CIA Comptroller that the new price was $3,469. There was never an argument from the CIA that the price was too high. The Army advised the CIA of the price; the CIA confirmed the price; and there was no bartering. After the CIA was told of the increase to a price of $3,469, they were never given any other price. It was subsequently determined that not enough MOICs were available to make the conversion. The CIA was offered ITOWs instead, but refused them. Mr. Williams suggested converting (downgrading) ITOWs to complete the mission within the required time but added that the ITOW was a more expensive missile and would cost the customer more. MAJ Simpson said he would not tell the DCSLOG more money was required and that someone in the PM TOW office would have to do so. He said it was easier for MICOM personnel to explain why they had not provided correct information than it was for him to do so. He added that he believed "they sure as hell could have done it right the first time." He speculated that his comment was what led to the conversation between LTG Russo and LTG Burbules. In late November 1986, MAJ Simpson met with COL Lincoln; they determined the $300 price for adding the MOIC was incorrect because it did not include a labor charge. Concerning the price of the missiles, he said the only persons in MICOM or the PM TOW Office that he dealt with were COL Lincoln, his Deputy (Mr. George Williams), and Chris Leachman. He said he did not discuss pricing of the basic missile with Mr. Leachman, but did discuss the incremental cost of adding the MOIC. Mr. Williams did not tell him that missiles with a MOIC had a different NSN and he did not know at the time that the AMDF listed a different stock number and price for a basic TOW with a MOIC installed. Additionally, Mr. Leachman did not tell him there was a different NSN or a different AMDF price for a basic TOW with MOIC. MAJ Simpson added that he did not know the NSN

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the basic TOW differed from the NSN for the basic TOW with C until around Thanksgiving, 1986. Additionally, he did not ow that Anniston Army Depot had been installing MOICs on basic Ws since 1981 or 1982. MAJ Simpson was asked about the DD Form 8-1 he signed on 13 February 1986 for 1,000 BGM-71A2 TOW ssiles, NSN 1410-01-139-1512, priced at $3,469 each. He said that while he was at Redstone Arsenal, Mr. Leachman gave him a blank form (DD Form 1348-1) and asked him to fill it out. MAJ Simpson provided everything on the top line of the form except the "Stock or Part Number." Explaining why he signed for missiles of a type and with an NSN other than what was requested, MAJ Simpson said he had not taken his notebook with him and did not have "the foggiest idea what stock number I was signing for that morning." He said he signed the receipt at about 0130 or 0200 in the morning. He denied having taken with him (from Washington to Redstone Arsenal) a draft DD Form 1348-1. Prior to the first delivery of missiles to the CIA, COL Lincoln notified MAJ Simpson that the price was too low because the Army could not replace TOW missiles with ITOWs or TOW 2s for the price being charged. He thought COL Lincoln said the price should be approximately $9,000. MAJ Simpson replied that the AMDF price was the correct price to be charged for an item no longer in production. In later testimony describing that conversation, he said, "... we had already reviewed that issue and killed it with the regulation." He reported COL Lincoln's call to LTG Russo, who told him to get the lawyers involved because he (LTG Russo) too thought the price was too low. At that time, or perhaps sooner, LTG Russo told him he thought the price was about $6,000. MAJ Simpson did not know where LTG Russo got that figure. He said LTG Russo studied AR 37-60 and told him that it was a terrible price ($3,469), but "we're fixed." He said that LTG Russo felt like COL Lincoln did and wasn't happy with the decision to charge $3,469. That was the last time he and LTG Russo discussed TOW missile pricing. He said he never went back to the CIA for more money. In late May 1986 (after completion of the ITOW conversion), Mr. George Williams advised MAJ Simpson that an error had been made and missiles which had been converted (from 71C to 71A1) were still in Condition Code "N". MAJ Simpson replied, "...well, does that affect, you know, we'd already had our second mission and the third one was unscheduled, there was no fixed date anymore for the third one, just that it was going to happen sometime in the year. And in my closing days, I said, well, George, I said, you'll have to bring that issue up when they get ready to do the third shipment, I said, because as far as I'm concerned, I said, I don't have any problem with you charging more for that. I said that was something you didn't know about and I said, to me, you know, we've asked them before on a third shipment, that's a new, kind of a new project. And,

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bu I didn't know there wasn't any fixed date or schedule, and in fa [redacted] was getting ready to leave to go overseas at th same time, and he said, there may not even be a third shipment, said that may be all that we've asked for." [IG NOTE: During the conversion process, Anniston Army Depot queried the PM TOW office as to which missiles to use and were told by Mr. Les Alkenberg that it didn't matter. As a result, Condition Code "N" BGM-71C missiles were pulled from stock for conversion to 71A1. Five hundred of these missiles were subsequently transferred to the CIA in the third shipment. The CIA has been advised of their Condition Code "N" status. The remainder are on hold at Anniston Army Depot. (Exhibits O; AD)] When asked if he believed LTG Russo had enough information available to make the right pricing decisions, MAJ Simpson said that LTG Russo relied on him for information and that he (MAJ Simpson) did not have enough information. He added that if there was a pricing error, he believed that he and MICOM were jointly responsible. He said that in retrospect, he believed the price should have been much higher than what was charged. (Exhibits B-9, pp 20-24, 27, 29, 31-38, 40, 42-45, 47-48, 50-53, 68-69, C-58, C-59, C-78, C-81-83, C-88, C-90, C-98; B-28, pp 6, 7, 23, 24, 37, 38; O; AD)

(8) (S) MAJ Edward Frothingham, Legal Advisor [redacted] from approximately September 1984 to March 1986, testified that his initial involvement in the missile sale was when MAJ Simpson asked him to meet with LTG Russo concerning the establishment of a reimbursement figure for the TOW missiles. He did not know the ultimate destination of the missiles but did know they were being transferred to the CIA under the Economy Act. At the meeting with LTG Russo, two prices were discussed, the replacement cost versus the procurement cost plus modification and shipping. He said MAJ Simpson was also at the meeting with LTG Russo when he (MAJ Frothingham) initially advised that the Army should charge a price sufficient to restore our stock of missiles. He recalled that price being approximately $8,000. He did not recall being advised that there was a specific price for a missile with a MOIC. Had he been told there was an AMDF price for a basic TOW with MOIC, he would have advised to charge that price. He said that LTG Russo's reaction was that charging the higher price would not be fair to the CIA since the Army would be receiving more than the cost of the basic TOW plus modification and shipping costs. There was discussion of reducing the cost "to be more in line with the lack of desirability of the item or the depreciation, if you will, of the item." The end result was that the Army would charge whatever it cost for the basic TOW plus the cost of modification. He remembered it to be approximately $3,500 per missile. He did not make an extensive review or take notes because he thought ODCSLOG

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would come to him for a final review. He advised his boss, COL McDonald, of what he had done and had no more thoughts of the matter until he read of it in the newspaper. (Exhibit B-10, pp 5-8, 10)

(9) (S) COL Lincoln, PM TOW, said that during one of the very first contacts he, or perhaps someone in his office had with ODCSLOG, MAJ Simpson stated the need for BGM-71A TOW missiles and said he had personally looked up the price of the missiles and determined the AMDF price to be $3,169. The PM TOW office confirmed that MAJ Simpson had determined the correct price for a BGM-71A. COL Lincoln did not know the missiles were for the CIA. When the requirement was added that missiles be in Condition Code "A", MAJ Simpson was advised that a MOIC must be installed. MAJ Simpson asked what that cost would be and was told "about $300." MAJ Simpson said, "I guess we will add $300 to the price that we have already come up with, adding $300 to $3,169, and that will be the price." COL Lincoln said that he was not involved, but "there appeared to be agreement by both parties that was proper. And so, we arrived at the price of $3,469 as the proper price." When asked why the price was not set at $8,435, he said, "Because after the initial look-up it was determined that we were only adding this three hundred dollar item to the missile that was reflected as thirty-one sixty-nine, so the proper pricing change would be simply to add the three hundred dollars to the price we had already looked up." COL Lincoln did not know of anyone in his office who advised the DCSLOG point of contact (MAJ Simpson) that there was a different NSN for a basic missile with a MOIC. COL Lincoln only became aware of the NSN difference in the last few weeks (November-December 1986). At some later time, after MAJ Simpson added the requirement that all missiles must be in Condition Code "A", he (MAJ Simpson) was told by someone in the PM TOW office that "adequate stocks were not available" and a missile with a MOIC installed and with "a different model number" was required. [IG NOTE: At the time the requirement for Condition Code "A" missiles became known, there were [redacted] BGM-71A2 missiles on hand. There were approximately [redacted] MOICs on hand, an insufficient number to modify enough 71A missiles, converting them to 71A2 missiles. These two facts are apparently what COL Lincoln meant by "adequate stocks were not available." The "different model number" he referred to was apparently the 71A1 missiles to be "produced" by converting or downgrading the 71C ITOW missiles.] COL Lincoln testified that upon discovering that insufficient MOICs were on hand to meet the customer's needs, ITOWs were offered but rejected. The decision was then made to modify ITOWs (converting 71Cs to 71A1s) to accomplish the mission. When told that there was evidence that MAJ Simpson had

said the CIA would have paid anything that was asked if good reason were given, COL Lincoln said he went to a general officer (not further identified; probably LTG Burbules) and tried to make a case with him for charging a higher price, and failed. He also said Mr. George Williams made enough of a point to get MAJ Simpson to go to the General Counsel to inquire about the price and word came back that the price would stay like it was. On two other occasions in his testimony, COL Lincoln made reference to hearing that the Army General Counsel rejected PM TOW arguments for a higher price. He said, "we started with a certain price, we became semi-locked into that price, and we did make these other attempts to change the price, which were not adequate." He further testified he did not recall hearing of a price of $8,435 during the time the transactions were taking place. He said both he and his Deputy, Mr. Williams, believed the price charged was drastically low from the point of view of buying TOW 2s as replacements. They made that point with LTG Burbules, and COL Lincoln was in the room when LTG Burbules talked to LTG Russo. He said LTG Burbules made the point that the price was too low, but the argument was rejected by LTG Russo. In summarizing his testimony about pricing missiles for the transaction, he said it was agreed upon by both parties that $3,169 was an appropriate price for a basic TOW, "...and then with the new condition of a MOIC, simply adding three hundred dollars made sense to both parties. One or both parties perhaps should have had the foresight or the training to say maybe a different price applies, AMDF price specifically, but at least during the critical deliberations, to my knowledge, that didn't go through anybody's mind. Maybe it did someone later, maybe some of the other individuals involved can state that, yes, they in fact did that. I don't have any direct knowledge that someone was triggered to think that we now have a different price, a different AMDF price, and we need to go look it up or change the price." (Exhibits B-11, pp 4-5, 7, 9-15, 21-22, 35-39, 43; O)

(10) (U) Mr. George G. Williams, former Deputy PM TOW, testified that the original mission from ODCSLOG, which was passed to COL Lincoln, called for the basic, 3,000 meter TOW missile with a 5 inch warhead. When ODCSLOG was told the only way the mission could be accomplished was with Condition Code "N" missiles, the request was modified to add the requirement that the missiles be in Condition Code "A". He was aware by the second week into the mission that it would be necessary to provide missiles with a MOIC installed. At the time the initial transactions were taking place, he did not know that a basic TOW and a basic TOW with a MOIC installed had a different NSN. He learned about the different NSN sometime after the first shipment but did not tell MAJ Simpson there was a different NSN. At the

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time of the transaction, he was not aware of the $8,435 price and did not know until recently that there was a different price. The price for the basic TOW without a MOIC had been established at $3,169. The PM TOW office stated the price of the MOIC was $300, based on what they were paying for it plus an estimate for the cost of installation. He believed the price of $3,469 was set by the people in ODCSLOG by adding $300 to the cost of a basic TOW. Mr. Williams said that all of his conversations with MAJ Simpson were directed at obtaining a price which would replace the missiles being transferred with TOW 2 missiles. He said MAJ Simpson conferred with DA legal counsel (not further identified) and subsequently advised him that the $3,169 was legal. He added that he "had the impression all through this whole deal that the customer had been told a price, and we weren't going to vary a whole hell of a lot different than that. Now that is my personal opinion of the whole thing." Mr. Williams did not learn of the mix up on Condition Code "N" versus "A" during the conversion of ITOWs until approximately one month after it was done. (Exhibit B-12, pp 4-5, 7-10, 15-16, 30-31, 39)

(11) (U) Mr. Chris J. Leachman, Jr. former Logistics Management Specialist and current Acting Deputy PM TOW, testified that his initial involvement was when he was called one Sunday (probably 19 January 1986) by COL Lincoln and told to check pricing and availability on some TOW missiles when he went to work the following day. He believed COL Lincoln mentioned a price of $3,169 for a basic TOW missile in his telephone call but he knew that amount would not purchase TOW 2s as replacements. He did not think the requestor understood at the time the difference between Condition Codes "A" and "N". He knew there was a different NSN for a basic TOW and a TOW with MOIC installed but didn't know if he made anyone aware of the difference. He said if the PM and his Deputy didn't know there were different NSNs for the two missiles, it was probably his fault for not telling them. In discussing whether or not the PM TOW pricing experts were involved in pricing this transaction, he said, "I believe the price was determined by the people in DCSLOG telling us it was thirty-one sixty-nine. We said, 'no.' We told them what it was really worth, and they said, 'Well, what is the MOIC worth?' We told them about three hundred dollars, and they came up with thirty-four sixty-nine and I think it was a dictated price." When asked if anyone in ODCSLOG was notified of the $8,435 price, he said, "I don't remember the conversation, but I believe we did. I believe that they had access to the AMDF price, the same, well, I know they had access to the AMDF price, they came up with the first thirty-one sixty-nine. Once it was decided that we were going with missiles with MOICs on them they

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also knew what that stock number was, 1512; they had access to the same AMDF that I had. The prices were there in January of '86." He further testified that MAJ Simpson had the stock number for the basic TOW with MOIC 71A2, saying, "I know that he had the stock number when he came down here to pick them up. He knew what-- he-- I didn't keep it, but he had a handwritten copy of a 1348 with stock number and everything on it. I have no evidence of that because we threw it away. We took it and typed it." He added that it was the correct stock number for the missiles which were delivered. Mr. Leachman knew the ITOW had a different NSN and price. When it became necessary to modify the ITOWs, they did not bring up price again because it was considered to be a moot issue. He did not know the ultimate destination of the missiles. He added that he honestly believed the price for the missiles had been dictated to them by ODCSLOG. When told there was evidence that the PM TOW office failed to provide any good arguments to increase the price and failed to tell him there was a different NSN and AMDF after the first day, he replied, "Absolutely untrue." (Exhibit B-13, pp 6-9, 11, 13-17, 24-25, 28, 37-38)

(12) (U) LTC Larry W. Armbright, Logistics Support Coordinator, ODCSLOG, stated that he only recently learned that a basic missile with a MOIC had a different NSN than a basic missile without a MOIC. He didn't know there was a different price for a missile with a MOIC installed. In May 1986 he did not know there was a model number other than 71A2 involved. While accepting the third shipment in November 1986 he noticed the model and NSN were different from the May shipment. He was told by Mr. Collier (Mr George E. Collier, PM TOW Office) that addition of the MOIC changed the model number. He only recently learned that ITOWs were downgraded to satisfy the total requirement. He did not discuss pricing with LTG Russo or MAJ Frothingham nor did he know of any discussions about keeping the price down. When asked if he knew before 17 November 1986 if COL Lincoln had challenged the TOW missile price, he referenced a 14 May 1986 discussion and replied as follows. "It seems to me -- challenged I don't think is the right word -- as I recall when I, and I hadn't thought of this until just now but, as I recall, when I was there in May, COL Lincoln and Mr. Leachman and I had a -- that's the first I had met them, so we were sitting there talking, and, uh, a question came up on, uh, that they were -- a statement to the effect they were unhappy with the price. But that was because that was the price in the AMDF, because they hadn't changed the AMDF and they were stuck with the AMDF price. It wasn't that they were getting something different. It wasn't that there had been modifications made, models, stock numbers, none of that came up. It was only, we've got an error in the

AMDF and the AMDF price is what we have to live with 'cause that's ..... and we're taking steps to correct the AMDF. Uh, so that may counter everything I told you earlier, but I hadn't thought of that conversation. They didn't really challenge the price. That was just a "we're unhappy but we've screwed up; we didn't update the AMDF and we're going to have to do that." He said there was no discussion that the AMDF price for the missile being shipped was actually much higher than what was being charged. (Exhibit B-14, pp 1-4)

(13) (U) Mr. Collier testified that he and Mr. Leachman talked about the fact that $3,169 was too low a price for the ITOW. There was a marked difference between the AMDF price for an ITOW and the price being charged for a converted ITOW. (Exhibit B-15, p 22)

(14) (U) Mr. Billy R. Bentley, Chief, Program Management Office, PM TOW Office, testified that his office was responsible for pricing TOW missiles. His office was not involved at the outset in the establishment of a correct missile price. He attended a meeting at HQ MICOM along with Mr. Leachman, Mr. Williams, a CIA representative, and MAJ Simpson. It was his impression that MAJ Simpson was informing them what the price of the missiles would be. It was Mr. Bentley's understanding that the price had already been determined to be $3,469 ($3,169 plus $300). (Exhibit B-16, pp 5, 7-8, 13)

(15) (S/ORCON) [redacted] Directorate of Operations, CIA, testified that his initial involvement in the arms transfer was on 18 January (1986) at a meeting in the White House where he met with Admiral Poindexter, LTC North, and two other CIA representatives. He was shown the Presidential Finding which authorized the sale of military equipment to Iran to support building a strategic relationship with Iran. [redacted] was to be the CIA contact for LTC North and was to set up a logistics and finance mechanism by which money could be transferred into an account controlled by the CIA and subsequently turned over to DOD in payment for American weapons that would come out of DOD stocks. A few days later LTC North told him to contact LTG Powell for instructions. LTC North said he would arrange to have Mr. Weinberger or Mr. Taft informed of the CIA financial and logistical mechanism and would task DOD to sell weapons to the CIA. As instructed by LTG Powell, [redacted] contacted LTG Russo. They discussed the sale of TOW missiles and [redacted] said the initial discussion may not have specified the figure 4,508 because the number varied from 4,500 to 4,506 and finally settled at 4,508. The first sale was to be 1,000 TOWs. He testified that on 22 January 1986 LTG

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Russo gave him a price figure of $6,000 per missile. [redacted] said he had some experience with pricing and different military sales figures so he asked LTG Russo what that figure represented. Although not certain of LTG Russo's specific response, he recalled it was "the current replacement value for the TOW." He said LTC North had told him it was not important to give the Iranians the most recent TOWs. He further testified that LTC North said, "What the Army ought to do is try and find the oldest batch in the warehouse anywhere in the country and use those." Speaking of the guidance he got from LTC North, he said we didn't care if a couple of them didn't go off, adding that this was not the usual kind of FMS sale where we're terribly concerned about U.S. bona fides or giving good weapons. He dimly recalled that when he told LTC North the $6,000 figure, LTC North said something like, "that's too much" or "that can't be the right figure." He said he seemed to remember that he called LTG Russo two or three times about pricing and dimly recalled one conversation in which he told LTG Russo that LTC North thought the $6,000 price was too high because "we weren't buying current model TOWs." He did not remember receiving a price figure from LTC North that he was to pass to LTG Russo. He recalled LTG Russo's response to be that he would "have another look at those figures and that he would have to seek guidance on... what the cost would be in the project." His discussions with LTG Russo were an attempt to get the price lower based on the fact that LTC North had told him the $6,000 figure was too high. He said that in retrospect one could wonder if the attempt to get a lower price had anything to do with Contra funding, but at that point there was no hint to him that there was anything suspicious in the fact that LTC North thought we ought to be buying old missiles and that he thought the price was too high. [redacted] said the money for payment was coming from Iran through intermediaries and the CIA wanted to ensure that both DOD and the CIA did not lose money and that the CIA didn't profit. [redacted] said the price did not change directly from $6,000 to $3,400. Rather, he said, LTG Russo mentioned several other figures in between. The price never went above $6,000. He said his comment on the intermediate prices was based on "fuzzy" recollection and too much emphasis should not be placed on his comment. [redacted] testified that [redacted] (CIA) and MAJ Simpson eventually came up with the price between $3,000 and $3,400. On 27 January 1986, LTG Russo told him the price was $3,469. He passed the price to LTC North. He said [redacted] reported to him at one point that the Army was "having a terrible time figuring out which prices to charge" and he remembered that [redacted] told him that MAJ Simpson advised him at one point that the price was $4,500 or $4,400. [redacted] added that [redacted] had one or two conversations with LTG Russo and then he [redacted] and MAJ Simpson "started going crazy together, every day for two weeks...until they got that figure settled on." He did not recall what type or model number of TOW was requested, other than a basic TOW. He did not know what the terms Condition Code "A" or "N" or MOIC meant and did not remember [redacted] discussing those terms with him. Once a price was determined, [redacted] passed that to LTC North along with instructions on what bank to deposit the money in, what account number to use, and the total amount of funding required. [redacted] said he had no indication that anyone in the Army knew of the final destination of the missiles. (Exhibits B-22, pp 2-10, 14, 15, 17, 19; B-32, p 18; B-34, p 1)

(16) (S/ORCON) [redacted] CIA, testified that at about 1730 on 17 January 1986 he attended a meeting at the CIA headquarters concerning the transfer of approximately 4,508 TOW missiles to Iran. [redacted] a representative from the [redacted] and two other CIA employees were present. [redacted] told the group there was confusion in the Army on the price but it was thought to be approximately $6,000 per missile. LTG Russo's name was associated with the pricing uncertainty. [redacted] was sent to the Pentagon that evening to visit LTG Russo and determine the specific version of the TOW to be provided and the price. [redacted] said he would call LTG Russo to arrange the meeting and LTG Russo was expecting [redacted] upon his arrival the evening of 17 January 1986 (IG NOTE: Further investigation revealed that the meeting with LTG Russo probably took place on 24 January 1986). LTG Russo told him there had been confusion on the price and that further research showed the higher price had been based on a later version of the TOW. The missile being provided would cost approximately $3,400 plus ancillary costs such as packing and crating, transportation, and a modification that [redacted] thought involved improvements to the guidance system. He said that LTG Russo requested at the 17 January 1986 meeting that the CIA sign for the missiles at the point of transfer and once the missiles were under CIA control, that they accomplish minor external sanitizing such as the removal of lot numbers. [redacted] was of the opinion that some background work had been done prior to his 17 January 1986 meeting with LTG Russo. Otherwise, he said, it would not be likely that LTG Russo would have been able to quote TOW missile prices. He and LTG Russo did not discuss condition codes except to establish that the missiles would be serviceable. [redacted] assumed they would be Condition Code "A" because that was normal procedure in obtaining ordnance from the Army. Within a week of meeting with LTG Russo the price had been pinned down to $3,469 plus the add-ons and ITOW modification. When asked why a written request was not

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presented to the Army, [redacted] said normal requisition procedures were not followed because of the sensitivity of the project. It was a CIA decision to handle the project by word of mouth, except for the fund certification document. Additionally, he did not discuss NSNs in any of his Army dealings. [redacted] said there was no reason for him to believe LTG Russo or MAJ Simpson was under any pressure to establish a lower price or to keep the price low. To his knowledge, no one within the Army knew that the ultimate destination was Iran. He recalled no arguments or debates concerning the price increase due to changing from Condition Code "N" to "A" nor did he remember indicating Mr. Casey would have to obtain more money to pay the increased amount. He added that he may have made such a statement because he served as the messenger relaying financial information between the CIA and the Army. With respect to pricing, he said there were no negotiations; he argued with MAJ Simpson on packing and crating charges, but the Army set the prices. (Exhibit B-26, pp 8-13, 17-19, 22, 29, 30, 37, 41, 49, 51, 56, 58, 64, 82, 83, 86, 87, 91)

(17) (S/ORCON) [redacted] testified that at the time money was made available to pay the Army, he did not know the source of the funds but he was assured that they were not funds appropriated by Congress. He was not aware that there was a price change from $3,169 to $3,469 but knew of the modification cost associated with the May 1986 transaction. He did not recall telling anyone that Mr. Casey would have to obtain more money from the White House or from the Cabinet. (Exhibit B-25, pp 20-22, 25)

(18) (S/ORCON) [redacted] CIA, testified that he assumed his duties at the end of August 1986. Prior to that time, he had no knowledge of the transfer of Army arms to Iran. His duty was to serve as a facilitator between the CIA and outside agencies, specifically the NSC. He had no direct dealings with anyone in DOD. The price of $3,469 per missile had been set before he assumed his duties. In September or October 1986 a message was passed to him from LTC Armbright, through a CIA employee, that future TOW missiles beyond the original 4,508 would cost in the range of $6,000 to $7,000 to $8,000. He informed no one of the potential for future change. [redacted] said he knew of no pressure to establish a low price for the TOW missiles. (Exhibit B-30, pp 2-8, 12)

(19) (S) LTG Russo and MAJ Simpson, the key ODCSLOG players and HQDA points of contact in the transaction, knew the transfer of arms to the CIA was to be accomplished pursuant to

the Economy Act. LTG Burbules and COL Lincoln, key MICOM players with respect to missile pricing, did not know the sale was an Economy Act transfer. Further, LTG Burbules believed it was an FMS transaction. Paragraph 1-5, AR 37-60, stated that sales to FMS customers would be at the replacement or standard price, whichever was higher. (Exhibits B-6, pp 10, 22; B-7, pp 2, 19; B-8, pp 9, 11, 21; B-9, p 41; B-11, pp 17, 41; C)

(20) (S) The following individuals were interviewed but provided no significant information concerning the pricing of TOW missiles for transfer to the CIA:

(a) GEN John A. Wickham, Jr.	(Exhibit B-3)
(b) Mr. Richard L. Armitage, Exec Level IV	(Exhibit B-17)
(c) VADM Donald S. Jones	(Exhibit B-18)
(d) MG William K. Suter	(Exhibit B-19)
(e) Mr. David C. Rosenthal, GS-13	(Exhibit B-20)
(f) Mr. John C. Coward, GS-11	(Exhibit B-21)
(g) Mr. Thomas A. Williford, GS-13	(Exhibit B-23)
(h) Two CIA employees	(Exhibits B-31, B-33)

b. (S) Discussion: The only pricing guidance passed to the Army by LTG Powell was that the arms transfer to the CIA was to be accomplished under the Economy Act and that the Army was to recover the cost of the missiles and services. The investigation surfaced no guidance to keep the price low or to establish any specific price. When LTG Powell tasked the Army, the missile to be provided was described only as a "basic TOW" or "vanilla TOW" missile. The tasking was passed orally and no model number was included. Upon receipt of the mission, LTG Register tasked MAJ Simpson to determine TOW pricing and availability data. MAJ Simpson got the NSN from Mr. Hill and determined the AMDF price of the "basic TOW" missile to be $3,169. He passed the NSN to COL Lincoln and by the end of the first day, COL Lincoln had confirmed the price in the AMDF and advised MAJ Simpson that he could support the mission with missiles of the NSN specified at a cost of $3,169 per missile. On 20 or 21 January 1986, LTG Russo advised [redacted] CIA, that the price per missile would be $3,169. Later in the first week, it was determined that the price quoted was for Condition Code "N" missiles and that the CIA needed Condition Code "A" missiles. It is not clear who made the request or even if there was a specific request, [redacted] requests are always for serviceable ammunition, which to the CIA [redacted] The PM TOW office advised that installation of a MOIC was required to convert the missiles to Condition Code "A". Approximately $300 was established by the PM TOW office as the cost of purchasing and installing the MOIC. After discussions between ODCSLOG and the PM TOW Office, the adjusted price for the

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missiles was set at $3,469. Both Mr. Leachman and Mr. Bentley believed that PM TOW pricing experts were not utilized during the establishment of a correct TOW price. The CIA was told of the revised price and offered no objection. LTG Russo did not know the addition of a MOIC to the 71A model converted it to a 71A2 model and he did not know there was a price difference except for the $300 modification charge. Neither COL Lincoln, MAJ Simpson, nor Mr. Williams knew there was a difference in NSN or price, except for the $300 modification charge, between a basic TOW with a MOIC installed and one without a MOIC. A potential $6,000 price was apparently provided to the CIA by the Army early on, but we found no evidence it was used in the final computation. Although [redacted] recalled he told LTG Russo a price of $6,000 seemed too high, neither LTG Russo nor MAJ Simpson reported any haggling over price by the CIA. Even if the CIA did relay a concern that the $6,000 figure was too high, there is no evidence that the comment had any impact on the final price. The price was simply extracted from the AMDF for the basic missiles the Army thought they were providing and the cost of the MOIC modification was added to it. It is clear that the Army, not the CIA, established the price. A short time after the CIA was told of the price increase to $3,469, it was determined there were not enough MOIC devices available to convert the required number of missiles in the time allotted. The decision was made to downgrade ITOWs, converting them from 71Cs to 71A1s. Mr. Williams told MAJ Simpson the 71C was a more expensive missile and the customer should be charged more money. MAJ Simpson refused to tell the DCSLOG of the price increase and told Mr. Williams that someone from the PM TOW office would have to explain the increase to the DCSLOG, adding that it would be easier for them to explain why they had not provided correct information. He speculated that his comment led to the conversation between LTG Russo and LTG Burbules. However, LTG Burbules believed it was an FMS transaction and made the argument that the Army should charge replacement cost. LTG Russo's contention was that the Army was still selling the CIA a basic TOW with a MOIC and it did not make sense to charge more than $3,469. ~~He~~ rejected LTG Burbules' argument and the CIA was not asked to pay a higher price. Mr. Leachman said MAJ Simpson knew the correct NSN, but MAJ Simpson denied it, and no one could specifically remember providing him with the NSN. Concerning LTG Powell's comment that LTG Russo said, "There's a way to do this and the cost will come in lower," the investigators found no supporting evidence. LTG Russo recalled telling LTG Powell of the $3,169 and $3,469 prices and also that he may have told him the price could go as high as $8,000. He also may have told LTG Powell of MICOMs pricing concerns. LTG Powell and [redacted] both indicated price fluctuations but LTG Russo and MAJ Simpson

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could not recall any prices provided to LTG Powell or the CIA except the initial $6,000 and later $3,169 and $3,469. Although mistakes were made, they appeared to be honest mistakes. None of the evidence indicated intentional underpricing on the part of any Army individual.

(c) (U) Conclusions:

(1) (U) The price for a basic TOW in Condition Code "A" was determined by adding the estimated cost of an installed MOIC, $300, to the AMDF price of the basic (BGM-71A) TOW, $3,169. The revised price, $3,469, was erroneously used for all missiles sold to the CIA. The correct price for the BGM-71A1 (downgraded from a BGM-71C) was not changed for the last 500 missiles sold. The errors made by Army personnel resulted from honest mistakes. Contributing factors were:

(a) (U) The lack of a written document specifically identifying the missile being requested.

(b) (U) Failure of MICOM personnel to understand that the transaction was being accomplished under the Economy Act and that replacement prices were not to be charged.

(c) (U) Incomplete knowledge of the NSNs and standard prices for the missiles supplied.

(d) (U) Failure to fully utilize technical personnel in the pricing process.

(2) (U) There was no evidence that anyone intentionally established an incorrect TOW missile price.

9. (S) Issue #5: To what extent were external pressures a factor in charging the CIA an incorrect price?

a. (S) Evidence:

(1) (S) Mr. Richard L. Armitage, Assistant Secretary of Defense (International Security Affairs)(ASD(ISA)) said he was informed in late January by LTG Powell that he (Powell) had been given instructions by the Secretary of Defense to have the Army move weapons to the CIA. He was subsequently told by LTG Powell, and by the Secretary of Defense, that "the instructions were Economy Act and don't lose money." Mr. Armitage testified there was no pressure by him to keep the price down and he didn't know of any such pressure. However, he was told by a Senate Select Committee on Intelligence (SSCI) staff member that "...there may

have been a conversation that Ollie North had with one of the Army fellows involved." (Exhibit B-17, pp 4, 6, 10, 14)

(2) (S) LTG Powell stated that in determining the price, "They (the Army) were under no pressure from the Office of the Secretary of Defense or anybody in the Department of Defense,...no pressure came from us to do anything but charge the price that was the correct price..." He also said that he was not aware of any pressure by the CIA to avoid price changes. When asked if anyone tried to influence him to get the price lower, LTG Powell answered "No. There was interest in what the price should be and there was interest in getting the price lower." LTG Powell did not indicate he felt under pressure external to DOD but he stated he had discussions on cost with Admiral Poindexter and possibly LTC North and that "there was an issue early on as to how much the missiles were going to cost...how much was available to buy missiles and how many missiles the people they were negotiating with wanted...Iran had, obviously, TOWs to begin with; they had some feel for how much a TOW cost." He also said "I'm sure that...General Russo was also receiving inquiries as to how to get the price at a lower level, if possible, by perhaps the same interlocutors or probably through the CIA." LTG Powell said that in the beginning everyone (to include the NSC) had the impression that TOWs cost around $4,000, and they were questioning the $10,000 figure mentioned later. When the price got down into the $4,000 range, it was "down where my interlocuters in the NSC had told me all along it ought to be." With respect to the discussions LTG Powell had with the NSC, he believed "the context in which we were answering questions and giving guidance to General Russo had nothing to do with trying to get the cost as low in order to get as much of the available money for some other nefarious purpose." (Exhibits B-1, pp 7-9; B-24, pp 3, 4, 6)

(3) (S) LTG Russo stated "...nobody pressured me to keep the cost down." He testified that LTG Powell said, "The Army was to--you know--retain their posture in terms of cost..." With respect to prices quoted to the CIA, he said that the CIA did not set or suggest the price and that, "There would have been nothing that would have precluded us from going back to the agency and telling them that the price is incorrect." LTG Russo said he did not talk to LTC North or Admiral Poindexter or anyone else on the NSC. He added that when he told [redacted] of the $300 increase for the MOIC, he thought [redacted] said, "...well, that keeps us inside the $25,000,000 window," and stated there were no discussions on how high the dollar price was. With regard to pressures outside DOD or the CIA, LTG Russo stated "...Powell never, to my recollection, never mentioned the

NSC or the White House." When asked about pricing pressure by LTC North on the Army he replied, "He may have, but I don't know who he would have been talking to." (Exhibits B-6, pp 22, 32, 37; B-7, pp 9, 13-16)

(4) (S) With respect to pressure put on him in pricing, MAJ Simpson stated that no one ever pressured him to establish a certain price and no one ever told him to lower the price. He said he did not negotiate with the CIA or anyone to establish a price. When asked if he felt pressured by the CIA to keep the price down, he said "No, the only thing is when the...$300 was added, you know, we started with $3,169 and when I went back to get the $300 (for the MOIC) that was a big fight." He was told the boss, "and I know he meant Mr. Casey," would have to go back to the White House to get this resolved and "...that is intimidating when you know that every time somebody makes a mistake it's going to go to the White House to get resolved." Additionally, MAJ Simpson said he told Mr. Williams that the price increase would be very embarrassing because the Army had already committed itself to a price. He also said [redacted] from the CIA said someone from the NSC was intimately involved and since it was that level of people, "both he and the Comptroller were concerned about things being correct and straight." MAJ Simpson then learned from MICOM at least a week into the transaction (on approximately 27 January 1986) that to satisfy the entire 4,508 requirement, some ITOWs would have to be converted into basic TOWs because MOICs could not be provided in a timely manner. The Deputy PM, Mr. Williams, said that it was a different priced missile with a significantly higher price and that, "the customer is going to have to pay more." MAJ Simpson responded that "if somebody is going to tell the DCSLOG that we need more money now, again, yet again...then you guys are going to have to go to the DCSLOG and tell them you need more money and tell them (sic) you screwed up...that's your problem right now as far as I'm concerned." MAJ Simpson said he did not inform LTG Russo of this new pricing problem himself. He told MICOM that if the price was going to change, they were going to have to settle with the DCSLOG. He further testified that the reason he wanted someone else to explain was because of the impact it was going to have and because it would be easier for Mr. Williams to explain the error. "I never heard another word about it." He did not know if this specific problem was brought to LTG Russo's attention, but he did not inform LTG Russo that MICOM said the converted ITOWs would cost more. MAJ Simpson did add, however, [redacted] they never argued about price. "Whatever price we gave them, they paid." The concern was about the trouble of continually going back with changes. Concerning pressures outside of DOD and the CIA, MAJ

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Simpson said he never talked to LTC North, Admiral Poindexter or anyone from the NSC or the White House. (Exhibit B-9, pp 15, 29, 30, 50, 51, 62, 64, 68, 91, 97, 114)

(5) (U) LTG Burbules, MICOM commander at the time of the transaction, said he was involved in pricing because the PM TOW advised him that the price he was directed to charge by DCLSOG seemed low. He took this issue to LTG Russo, who said he would take it under advisement. LTG Burbules "was later informed that the decision had been made and the lower price would be the price that would be used." This call could not be specifically related to the concern by the Deputy PM TOW that the converted ITOWs should cost more, however. LTG Burbules said, "We were being told the price. I objected to that price. DA overruled my objection. I saluted and moved up (sic) and didn't fight the issue any more." LTG Burbules did not get the impression that LTG Russo was under pressure. He also stated he did not have any conversations with anyone outside the Army on this subject. (Exhibit B-8, pp 3, 21, 23)

(6) (S) COL Lincoln, PM TOW, said he did not talk to anyone from the White House, NSC, or CIA. With respect to discussions with HQDA, he said, "I recall...that there was an impression given (from HQDA to the TOW Project Office) that the customer had been told about this price and we had better not change it." He also said, "Because of the highly unusual nature of this mission, I think that inhibited all of us from perhaps raising more substantive issues about the price. Perhaps not that strong, but I---I vaguely recall that such an impression was given to myself and some of the other people, that we more or less had a--we had determined a price in the beginning, within the first week or two there, and because of the highly unusual nature of this mission I think that inhibited all of us from perhaps raising more substantial issues about this price. For example, if I was told that we would get zero for these missiles I probably wouldn't have questioned it, the whole deal was so unusual. So there were--we were all to some degree inhibited about going through our normal procedures, not only in the pricing area but in all areas having to do with this mission, because it was so unusual, in that it was all done by phone calls. That certainly inhibited me throughout this whole affair." Although he raised his concerns with LTG Burbules that the price of $3,469 was too low because the Army could not replace the basic TOW with a current version for that price, he said that the major point was not that the correct AMDF price was different. However, he thinks it would not have made any difference to HQDA if they had come up with a different NSN or AMDF price because "we became semi-locked into that price." (Exhibit B-11, pp 6, 15, 22, 35, 36)

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(7) (S/ORCON) With regard to the CIA influence on the Army, [redacted] CIA, provided the following information. [redacted] stated, "I dimly recall one conversation in which I told Russo back that North thought that original cost figure of $6,000 was too high because we weren't buying current model TOWs." He added that LTC North said he was going to do some investigation on his side but he [redacted] did not know who LTC North talked to or whether he had any direct bearing on the final cost. [redacted] said he told LTG Russo that the figure was too high. LTG Russo responded that he would have another look at the figures and that he would have to seek guidance on what the cost would be in the project. [redacted] also said price was not terribly important to the CIA as long as they broke even and got paid. [redacted] was asked whether or not he thought there were negotiations between the Army and the CIA and he said no, that the Army told the CIA the price. He said no one in the Army gave him any indication they were trying to hold the price down to a certain figure or a lower figure, but "I think the question came up whether this was the actual replacement cost of the missile. It was my understanding that the basic TOW was no longer in production." [redacted] further said he did not believe for any reason that they were under any pressure to keep the price down or get the price down - "quite contrary, we were being gouged a little bit, $241,000 or whatever to repair it." He said he wasn't involved with NSC people until the second phase. Later, he met with NSC people, and, "...my understanding this thing came from the highest levels..." However, [redacted] did not hear any discussions in any form about Iran having only so much money to pay for a missile. [redacted] "was not aware of anyone in CIA...being under pressure to hold down costs" and was not aware of any CIA concern about price except that the addition of the depot modification cost (for converting ITOWs into basic TOWs) "was somewhat of a surprise to us." He said he was not aware of any consternation over a change in price or of the CIA telling the Army that approval would be required from the White House for such a price increase. However, he said he felt it was imperative to know what the best estimate was whenever talking to the Army because "as I understood, there was no returning for money once you got an estimate published, that was it." Exhibits B-22, pp 5, 6, 8; B-25, pp 7, 8, 11; B-26, pp 55, 56, 87, 91)

(8) (U) VADM Jones, GEN Wickham, GEN Thurman and LTG Register said they did not discuss pricing or provide any pricing guidance. During a discussion of this investigation on 18 January 1987, GEN Wickham observed that it is not uncommon or unreasonable for the CIA to solicit the best possible price for equipment. (Exhibits B-2, pp 6, 7; B-3, pp 3, 9; B-4, pp 1-2; B-18, pp 4-5)

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b. (S) Discussion: It appears there was no impression given to anyone in the Army that the price needed to be reduced to a specified amount or that it needed to be lowered so that excess funds could be used for another purpose or for any other reason. There was evidence that comments were made to the Army that the initial price figure mentioned to the CIA (which could be construed to be a "replacement" price) was considered too high, but only from the standpoint that the TOWs requested were older missiles and people in the NSC had an idea of what they thought was a reasonable price for those missiles; there was no impropriety in the CIA (or NSC) seeking the best possible price for items it was purchasing. The investigators could not verify the SSCI staff comment that "there may have been conversation that Ollie North had with one of the Army fellows involved." There appears to have been subtle pressure by HQDA on MICOM and the PM TOW not to change the price. This impression may have stemmed from the fact that the HQDA action officer said he was told by the CIA that approval for the funds was coming from a very high level. Therefore, HQDA was concerned about making any price changes once an initial price quote of $3,169 had been provided.

c. (S) Conclusions:

(1) (S) It is not uncommon for the CIA to solicit best possible prices for equipment. Hence some pressures may have been applied from the CIA to HQDA for a lower price and from HQDA to MICOM not to change the originally quoted price. However, there was no evidence of direct or indirect pressure applied to keep the price low, per se.

(2) (U) While these pressures apparently did not affect the initial price determination, they may have served to inhibit a review of what the correct price should have been for the converted ITOW missiles.

(3) (S) There was no evidence of price negotiations or bartering with the CIA. The Army established the TOW missile price.

10. (S) Issue #6: Is it legal for the Army to present the CIA an amended bill for the TOW missiles?.

a. (U) Discussion: In a 2 January 1987 memorandum, the investigators asked OTJAG about the legality of submitting a revised bill to another government agency if an Economy Act transfer was incorrectly priced. In its 7 January 1987 reply, UNC[illegible]D

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OTJAG stated, "This office perceives no legal objection to submitting to the concerned agency a supplemental voucher to make the necessary adjustments...This is a matter which can be resolved by the mutual agreement of the agencies concerned." (Exhibits E; F)

b. (S) Conclusion: It is legal for the Army to present the CIA an amended bill for the TOW missiles.

11. (S) Issue #7: Why did the Army provide such an odd number of TOW missiles?

a. (S) Discussion:

(1) (S) On 18 January 1986 LTG Powell tasked GEN Thurman to be prepared to deliver 4,000 basic TOW missiles to the CIA. In earlier discussions with the NSC staff, LTG Powell had become aware of "a floating number of 500" missiles, but that additional quantity was not conveyed to the VCSA. Over the next several days, in discussions with ODCSLOG representatives, the CIA increased the requirement to 4,504 and then to 4,508. (Exhibits B-1, pp 2, 3; B-2, pp 3-6)

(2) (S) The Army prepared 4,508 TOW missiles for delivery to the CIA. The number actually transferred was 2,008: 1,000 on 13 February 1986, the "odd number" of 508 on 19 May 1986, and 500 on 3 November 1986. (Exhibits N, O and P-1)

(3) (S/ORCON) [redacted] said all 1,000 missiles in the first shipment were sent to Iran. (Exhibit B-22, p 3)

(4) (S/ORCON) Mr. Armitage, ASD(ISA), said he heard Mr. Casey, Director of Central Intelligence (DCI), or someone else testify before a Congressional committee to the effect that Israel sent 508 TOW missiles to Iran in August or September 1985. [redacted] said the 508 TOWs delivered to the CIA at Redstone Arsenal in May 1986 went to Israel as replacements for the missiles shipped to Iran in the fall of 1985. (Exhibits B-17, pp 8-11; B-22, p 8).

(5) (S/ORCON) [redacted] also testified that Israel had expressed dissatisfaction with the age of the 508 TOWs they received as payback for the 1985 shipment to Iran. [redacted] reported that when LTC North asked that Israel ship 500 missiles to Iran to help expedite release of an American hostage, Israel sent Iran 500 of the 508 older missiles it had received from the U.S. These missiles from Israeli stocks were replaced with 500 newer missiles which the U.S. provided Israel in the last

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shipment. The newer missiles were selected first by the CIA requesting all lot numbers for the remaining 3,000 missiles and then requesting that the next 500 be pulled from the newest lots. The CIA specified new missiles for that shipment because the missiles were going into Israeli stocks. (Exhibits B-22, pp 10-12; B-31, pp 14-16)

c. (S/ORCON) Conclusion: The evidence indicated that LTC North, NSC staff, made the decision to ship an "odd number" of 508 TOW missiles to Israel based on an assumption that 508 was the number Israel sent to Iran in 1985.

12. (S) Issue #8: Did the sale of HAWK ground support equipment repair parts to the CIA reduce the readiness of U.S. Army air defense forces?

a. (S) Discussion:

(1) (S) In response to a 10 April 1986 telephonic tasking by the ODCSLOG Logistics Account Office, later confirmed by a 23 April 1986 message, HQ AMC reviewed a CIA list of 234 line items of HAWK system parts for price, availability and impact on readiness. With the majority of the items controlled by their command, MICOM took the lead for AMC in assessing the impact. Eleven items could not be identified. Seventy-five of the remaining 223 line item numbers (LIN) were managed by other AMC commands, DLA, and the USAF, and MICOM passed the requirement for these LINs to the responsible agencies. This left MICOM with 148 missile peculiar LINs which it managed. With respect to these LINs, MICOM found two were no longer stocked. MICOM reviewed the remaining 146 LINs to determine how providing the kind and number of parts requested would affect support of US air defense units. The assessment included review of assets on hand, parts due in from production and repair, average monthly demand, and known requirements, and incorporated the subjective judgement of responsible MICOM personnel. The outcome was a determination that one hundred LINs could be furnished without seriously depleting stocks, but providing the remaining 46 LINs in the requested quantities might affect US forces' readiness. For 15 LINs, Army stocks would be totally depleted, and for 11 LINs, over half the Army's stocks would be required. The anticipated effect of furnishing the other 20 LINs was less but still considered significant. MICOM relayed this information to HQ AMC, which passed it to the Logistics Accounts Office, ODCSLOG, DA. Subsequently, ODCSLOG directed shipment of all parts, to include those managed by DLA and the Air Force. (Exhibits Q; R; S)

(2) (C) The investigators reviewed monthly unit status reports submitted by the nine U.S. Army HAWK battalions and MICOM stock records for the 46 LINs identified as potential problems in the initial MICOM assessment to determine the actual effect of sale of the repair parts on readiness. They found that [redacted] readiness reports indicated sale of the parts did not harm readiness. Further, a review of MICOM stock records on 7 January 1987 showed MICOM had stocks on hand for all 46 LINs and no back orders for nonoperational equipment for any of the 46 LINs. (Exhibit T)

b. (S) Conclusion: The sale of HAWK ground support equipment repair parts to the CIA did not reduce the readiness of U.S. Army air defense forces.

13. (S) Issue #9: Is it possible to upgrade a HAWK missile system using the repair parts sold to the CIA?

a. (S) Discussion:

(1) (S) A technical augmentee to the DAIG investigation team reviewed the 146 HAWK peculiar parts on the list of 234 line items requested by the CIA. This review revealed that all 146 items were for the AN/MPQ-46 radar, a high-power illuminator radar to which certain product improvements have not been applied and which is no longer used by U.S. Army HAWK units. It has been replaced by the AN/MPQ-57, which is basically an AN/MPQ-46 with "Phase II" upgrades. Upgrade of an AN/MPQ-46 to an AN/MPQ-57 requires 39 specific parts. None of these 39 parts were on the CIA list. Two other parts on the list could be used on the AN/MPQ-57, but had equal application to either model. The remainder of the radar parts were applicable only to the AN/MPQ-46. (Exhibit V)

(2) (U) A second and independent review of the parts list by the U.S. Army Air Defense School, Ft Bliss, Texas, found the parts to be consistent with support of Phase I HAWK batteries and not to US HAWK batteries, which have been upgraded through application of "Phase II" product improvements. (Exhibit U)

(3) (S) In April 1986, the CIA attempted to add two complete AN/MPQ-46 radars to the list of 234 parts requested earlier. The Army responded that the radars would have to be handled as a separate request. ODCSLOG reviewed assets and

advised the CIA, in May 1986, that the only AN/MPQ-46 assets in the Army inventory were two units purchased by Iran before overthrow of the Shah and being held pending resolution of claims by Iran. The CIA certified availability of [redacted] to cover the cost of making the AN/MPQ-46s ready for shipment. The Army prepared the radars as requested, but they were not shipped (to date, the Army has not billed the CIA for this work.) In response to a CIA request, ODCSLOG also provided the CIA price and availability information for two AN/MPQ-57 radars, but no AN/MPQ-57s were transferred to the CIA. Thus, while considerable effort was expended in anticipation of transferring complete radars to the CIA, those transactions were not completed, and there was no upgrade of Iran's capability through provision of complete radars. (Exhibit W)

b. (S) Conclusion: It is not possible to upgrade a HAWK missile system using the repair parts sold to the CIA in May 1986.

14. (S) Issue #10: Did the Army charge the correct price for the HAWK ground support equipment repair parts?

a. (S) Discussion. The Army shipped 218 of the 234 requested line items of HAWK repair parts to the CIA on 19 May 1986. The amount charged for each item was correctly extracted from the AMDF, as prescribed by AR 37-60. The items' unit cost by NSN was substantiated by reviewing and verifying the amounts in the April/May 1986 AMDF, the SF 1080 billings, and detailed billing lists provided by the Finance and Accounting Office, Redstone Arsenal. The total costs are summarized below. Estimated figures are used in the data because to date, the Army has only received bills totalling $3,162,645 from MICOM, DLA and the USAF for the HAWK parts they provided. Other bills are still due in.

HAWK REPAIR PARTS

ITEMS	$ CERTIFIED AVAILABLE
218 LINE ITEMS (HARDWARE ONLY)	$4,182,923
PACKING, CRATING & HANDLING COSTS	$154,502
TOTAL	$4,337,425 (EST)

The amount of [redacted] certified as available by the CIA for accessorial charges appears to be adequate. To date, however, the Depot System Command (DESCOM) has not billed the Army for any accessorial charges. Consequently, the Army has not billed the

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CIA for the HAWK repair parts and associated accessorial costs. (Exhibit X)

b. (S) Conclusion: The Army charged the correct price for the HAWK ground support equipment repair parts, but the CIA has not received the total bill to date.

V. (S) OTHER MATTERS CONSIDERED DURING THE INVESTIGATION

15. (S) [redacted]

a. (S) Discussion.

(1) (S) In some respects, the established procedures for providing Army support to the CIA were not followed during the execution of Projects SNOWBALL and CROCUS. In the case of Project CROCUS, this appears to have created no problems and the prices charged were proper. In the case of Project SNOWBALL, this failure to follow established procedures may have contributed to the establishment of improper prices for the TOW missiles transferred to the CIA.

(2) (S) Army support to the CIA [redacted] is governed by the policies and procedures established by a directive from the Director of the Army Staff [redacted] - Short Title: (DASP(U), 12 June 1986. This directive implements the Deputy Secretary of Defense Memorandum, subject: Provision of DOD [redacted] Support, 20 December 1979 (commonly referred to as the "Claytor Memorandum," which has been superseded by DOD Dir 5210.36, 10 June 1986, "Provision of DOD Sensitive Support to DOD Components and other Departments and Agencies of the U.S. Government (U)"). The Claytor Memorandum established the policy of DOD to provide [redacted] support to other federal agencies. It provided that such support should not interfere with DOD missions, should be consistent with the law, Executive Orders and DOD policy, and that the costs of such support should be fully reimbursed by the receiving agency. All Army support to the CIA was to be controlled [redacted] thus had the responsibility for ensuring that all requests for logistical support were properly staffed to ensure that the support met all legal, financial and

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operational requirements. [redacted] the tasking went directly from the Office, Secretary of Defense (OSD) to OCSA to ODCSLOG [redacted] Specific requirements, especially for SNOWBALL, were never put in writing by the CIA, thus making very difficult the accurate determination of what the requirement was or what it should cost.

b. (S) Conclusions:

(1) (S) The Army did not perform its standard oversight and coordination functions [redacted] during the execution of Projects SNOWBALL and CROCUS due to the sensitivity of the projects and the fact that the Army was responding to orders, not requests.

(2) (S) The lack of adequate oversight and coordination by the Army [redacted] may have contributed to the improper pricing of the TOW missiles transferred to the CIA.

16. (S) Frozen Assets

a. (S) Discussion:

(1) (S) On 24 October 1986, Mr. Taft and Mr. Marsh discussed the pending transfer of HAWK radars and HAWK ground support equipment repair parts to the CIA. They decided to place these transactions on "hold" until they could be thoroughly reviewed. Since then, ODCSLOG has kept two AN/MPQ-46 radars, two AN/MPQ-57 radars, and the requested repair parts in a "hold" or "frozen" status. (Exhibits R-1, p 14; R-3; R-11; R-13)

(2) (S) Following media reports that the United States was involved in providing TOW missiles and HAWK parts to Iran, and in accordance with 26 November 1986 guidance from Mr. Ambrose, ODCSLOG also froze, pending investigation, the 2,000 BGM-71A1 and 500 BGM-71A2 TOW missiles not yet transferred to the CIA. To convert missiles from ITOWs to basic TOWs, the ITOW warheads were removed. These warheads, which had been shipped from ANAD to Hughes Aircraft Corporation for use on the ITOW production line, were also frozen pending investigation. (Exhibit AR)

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(3) (U) Upon approval of this report, the Army's investigation will be completed. Neither TIG nor DCSLOG is aware of any need to keep the radars, repair parts, missiles and warheads in frozen status.

b. (S) Conclusion: Assets frozen pending completion of this investigation should be released to AMC for appropriate disposition.

VI. (S) RECOMMENDATIONS

17. (S) That in the future, the Army not deviate [redacted]

18. (S) That the Army submit a corrected bill to the CIA for an additional $2,557,392.49 for the TOW missiles.

19. (S) That HAWK radars, HAWK ground support equipment repair parts, TOW missiles, and TOW warheads frozen pending completion of this investigation be released to AMC for appropriate disposition.

20. (U) That appropriate persons be informed.

21. (U) That this report be approved.

22. (U) That this investigation be concluded based on evidence presently available, subject to reopening if required because of new evidence resulting from inquiries conducted by other organizations.

Ned W. Bachelder
NED W. BACHELDOR
COLONEL, IG
Chief, Intelligence
Oversight Division

CONCUR

Michael J. Conrad
for HENRY DOCTOR, JR. MG, USA
Lieutenant General, USA
The Inspector General

APPROVED

John O. Marsh Jr.
JOHN O. MARSH, JR.
Secretary of the Army

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APPENDIX B: OTHER DOCUMENTS AND MATERIALS INTRODUCED AT THE HEARINGS

QUESTIONS FOR THE RECORD
DURING THE IRAN-CONTRA HEARINGS
INVOLVING TESTIMONY OF SECRETARY OF DEFENSE
CASPAR W. WEINBERGER

The following three questions for the record are answered here:

Q: Who requested that RADM John Poindexter and LtCol Oliver North be assigned duty on the National Security Council?

A: Rear Admiral John Poindexter was requested for duty with the National Security Council by RADM James W. Nance, USN (Ret.), Deputy Assistant to the President for National Security Affairs, in June 1981. RADM Nance requested RADM Poindexter by name as he was regarded as the most qualified to perform the job of upgrading the Situation Room and the Crisis Management Center.

In September 1981, Richard Allen, Assistant to the President for National Security Affairs, requested personnel from DoD to work in the NSC to determine AWACS requirements for Saudia Arabia. DoD nominated personnel to NSC, and the NSC selected three individuals. They were:

LTC Childress, U.S. Army

LTC Myers, U.S. Army

MAJ North, U.S. Marine Corps

Q: How many military personnel are detailed to the NSC from DoD? How many were there when Robert MacFarlane and RADM Poindexter were serving as Assistants to the President for National Security Affairs?

A: See attached table.

MILITARY PERSONNEL ASSIGNED TO NSC

	USA	USN	USAF	USMC	TOTAL
[1]OCT 83					
OFF	4	5	4	1	14
ENL	1		3		4
TOTAL	5	5	7	1	18
[2]DEC 85					
OFF	3	5	5	1	14
ENL	2		4		6
TOTAL	5	5	9	1	20
[3]DEC 86					
OFF	4	4	6	3	17
ENL	1		2		3
TOTAL	5	4	8	3	20
[4]JUL 87					
OFF	5	1	7	1	14
ENL	3	5	2		10
TOTAL	8	6	9	1	24

[1] Mr. McFarlane assumes duty as the Assistant to the President for National Security Affairs

[2] Mr. McFarlane departed the NSC and then - Vice Admiral Poindexte assumed position

[3] VADM Poindexter departed

[4] Current personnel assigned

NOTE: Does not include temporary personnel provided on a short-term basis for less than 6 months.